# COVER SHEET

C S 2 0 1 3 1 0 1 2 4
SEC Registration Number

R E P O W E R  E N E R G Y  D E V E L O P M E N T
C O R P O R A T I O N

(Company's Full Name)

3 R D  F L O O R  J T K C  C E N T E R ,  2 1 5 5
C H I N O  R O C E S  A V E ,  .  M A K A T I  C I T Y

ANN MARGARET K. LORENZO

8632-0905
Company Telephone Number

1 2
Month
3 1
Day
Fiscal Year

Month
Day
Annual Meeting

**Definitive Information Statement (SEC Form 20-IS)**
Form Type

Secondary License Type, if applicable

Department Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be Accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

**STAMPS**

Remarks = pls. use black ink for scanning purposes

REPOWER
ENERGY
DEVELOPMENT
CORPORATION

# NOTICE OF ANNUAL STOCKHOLDERS' MEETING

**TO: ALL STOCKHOLDERS**

NOTICE is hereby given that the annual meeting of the stockholders of **REPOWER ENERGY DEVELOPMENT CORPORATION** (the "Corporation") will be held on 2 July 2024 (Monday) at 11:00 in the morning. The meeting will be conducted virtually and can be accessed at the link which will be provided to stockholders after successful registration. The agenda for the meeting is as follows:

## AGENDA

1) Call to Order
2) Proof of Notice of Meeting
3) Certification of Quorum
4) Approval of the Minutes of the Previous Annual Stockholders' Meeting
5) Approval of 2023 Operations and Results
6) Ratification of All Acts of the Board of Directors and Officers
7) Election of Directors
8) Appointment of External Auditor
9) Other Matters
10) Adjournment

Attached is a list of the rationale for each of the above agenda items for reference.

In accordance with the rules of the Philippine Stock Exchange, the close of business on **24 May 2024** has been fixed as the record date for the determination of the stockholders entitled to notice of, and vote at, said meeting and any adjournment thereof.

Stockholders may attend the meeting and/or cast their vote in absentia by registering through the website: https://www.repowerenergy.com.ph/ on or before 5:30 p.m. on 22 June 2024. Upon verification of their registration credentials, an e-mail from the Corporation will be sent containing instructions on how the registered online participants may access and watch the live stream of the annual stockholders' meeting and/or cast their votes on matters to be taken up during the meeting using the e-voting platform to be set up for the purpose. The e-voting platform will likewise contain a field wherein stockholders may send their comments/questions. It will be accessible until 11:00 a.m. of 02 July 2024. A section for stockholder comments/questions or a "chatbox" shall also be provided in the live streaming platform.

The stockholders are likewise encouraged to participate in the meeting by submitting duly accomplished proxies to the Office of the Corporate Secretary at 2704 East Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City, or via electronic copy submitted through the ASM online registration portal, on or before 5:30 p.m. on 26 June 2024. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

Validation of proxies is set on 26 June 2024. The votes already cast using the e-voting platform by that time will also be verified on said date.

Makati City, Metro Manila, 24 May 2024.

**ANN MARGARET K. LORENZO**
Corporate Secretary

**RATIONALE FOR AGENDA ITEMS**

**Agenda Item No. 4. Approval of the Minutes of the Previous Meeting of Stockholders held on 23 June 2023**

A copy of the Minutes for the 2023 Annual Stockholders' Meeting held on 23 June 2023 is currently posted on the Corporation's website (https://www.repowerenergy.com.ph/asm.html) and can be viewed at any time. Stockholders will be asked to approve the Minutes of the 2023 Annual Stockholders' Meeting.

**Agenda Item No. 5. Approval of 2023 Operations and Results**

A report on the highlights of the financial performance of the Corporation for the year ended 31 December 2023 will be presented to the stockholders.

The Corporation's Audited Financial Statements (AFS), for which the external auditors have issued an unqualified opinion, have likewise been reviewed by the Board of Directors. A summary of the 2023 AFS shall also be presented to the stockholders.

**Agenda Item No. 6. Ratification of all Acts of the Board of Directors and Management from the date of the last Annual Stockholders' Meeting to the date of this meeting**

All actions, proceedings, and contracts entered into, as well as resolutions made and adopted by the Board of Directors and of Management from the date of the last Stockholders' Meeting held on 23 June 2023 to the date of this meeting shall be presented for confirmation, approval, and ratification. The items covered with respect to the ratification of the acts of the Board of Directors and Officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business.

**Agenda Item No. 7. Election of Directors for 2024 to 2025**

The qualifications of the incumbent members of the Board of Directors have been reviewed by the Corporate Governance Committee which has nominated them for re-election. Their proven expertise and qualifications, based on current regulatory standards and the Corporation's own criteria, will help the Company's performance that will result to its stockholders' benefit. The profiles of the directors are further detailed in the Corporation's Information Statement. If elected, they shall serve as directors for a period of one (1) year from 23 June 2023 until their successors shall have been duly elected and qualified.

**Agenda Item No. 8. Appointment of External Auditors**

The Audit Committee has pre-screened and recommended, and the Board has endorsed for consideration of the stockholders, the reappointment of Reyes Tacandong & Co. as the Corporation's External Auditor for 2024. Reyes Tacandong & Co. is one of the leading auditing firms in the country and is duly accredited by the Securities and Exchange Commission. The stockholders will also be requested to delegate to the Board the authority to approve the appropriate audit fee for 2024.

REPOWER
ENERGY
DEVELOPMENT
CORPORATION

**REPOWER ENERGY DEVELOPMENT CORPORATION**
**2024 ANNUAL STOCKHOLDERS' MEETING**

Guidelines for Participating via Remote Communication and Voting *in Absentia*

The 2024 Annual Stockholders' Meeting (ASM) of Repower Energy Development Corporation (the "Corporation") will be held on 02 July 2024 at 11:00 A.M. The close of business on 24 May 2024 has been fixed as the record date for the determination of the stockholders entitled to notice of, and vote at, said meeting and any adjournment thereof.

The Board of Directors of the Corporation has approved and authorized stockholders to participate in the ASM via remote communication and to exercise their right to vote in absentia or by proxy.

**REGISTRATION**

The conduct of the meeting will be streamed live, and stockholders may attend the meeting by registering until 22 June 2024, 5:30 p.m. via https://www.repowerenergy.com.ph/ and by submitting the following requirements and documents, subject to verification and validation:

For individual stockholders

1. Full Name of Stockholder
2. Scanned copy of a Valid Government ID
3. E-mail address
4. Mobile No.
5. Whether or not a proxy will be appointed for the meeting
    a. If Yes, kindly provide the following:
        i. Proxy Form
        ii. Proxy Valid ID
        iii. Proxy Contact number
        iv. Proxy E-mail Address
6. Total Number of Shares
7. Stock Certificate Number/s (if certificated shares); Certification from broker (for uncertificated shares)

For corporate stockholders

1. Scanned copy of the Secretary's Certificate (or equivalent for non-resident) attesting to the authority of the representative to vote for and on behalf of the corporation
2. Scanned copy of a Valid Government ID of the authorized representative
3. E-mail address of the authorized representative
4. Mobile No. of the authorized representative
5. Total Number of Shares
6. Stock Certificate Number/s (if certificated shares); Certification from broker (for uncertificated shares)

PCD Participants/Brokers

1. Scanned copy of the Secretary's Certificate (or equivalent for non-resident) attesting to the authority of the representative to vote for and on behalf of the PCD Participant/Broker
2. Scanned/Digital copy of the certificate of shareholdings issued by the PCD/Broker
3. Scanned copy of a Valid Government ID of the authorized representative
4. E-mail address of the authorized representative
5. Mobile No. of the authorized representative

*Notes*

1. *Please refrain from sending duplicate and inconsistent information/documents as these can result in failed registration. All documents/information shall be subject to verification and validation by the Corporation.*
2. *Please be informed that by providing us with the above documents, you consent to the Corporation's processing of your personal data in accordance with the Data Privacy Act for the purpose of validating your credentials and registration to participate and vote at the Corporation's annual stockholders' meeting.*

Should the stockholder wish to assign a proxy, the stockholder shall submit the proxy form upon registration.

**ONLINE VOTING**

1. Log-in to the e-voting platform by clicking the link, and using the log-in credentials, sent to the e-mail address of the shareholder to the Corporation.
2. Upon accessing the e-voting platform, the stockholder can vote on each agenda item. A brief description of each item for stockholders' approval is appended to the Notice of Meeting
    a. A stockholder has the option to vote "Yes", "No", or "Abstain" on each agenda item for approval
    b. For the election of directors, the stockholder has the option to vote for all nominees, withhold vote for any of the nominees, or vote for certain nominees only.

    *Note: A stockholder may vote such number of his/her shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected (7 directors) multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholder*

3. The e-voting platform will likewise contain a field wherein stockholders may send their comments/questions.
4. Once the stockholder has finalized his vote and questions, he/she can proceed to submit the form by clicking the "Submit" button. The stockholder may no longer modify his/her vote thereafter.

**ASM LIVESTREAM**

The ASM will be broadcast live and stockholders who have successfully registered will be provided access to participate via remote communication. Instructions on how to access the livestream will be sent to their e-mail addresses upon registration.

**OPEN FORUM**

During the virtual meeting, after all items in the agenda have been discussed, the Corporation will have the Question and Answer Portion, during which, the meeting's moderator will read and where representatives of the Corporation shall answer questions and comments received from stockholders, as time will allow.

Stockholders may send their questions in advance through the e-voting platform on or before 09:00 A.M. on 02 July 2024. A section for stockholder comments/questions or a "chatbox" shall also be provided in the livestreaming platform.

Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by the Corporation via e-mail.

For complete information on the annual meeting, please visit https://www.repowerenergy.com.ph/

***PROXY FORM***

The undersigned stockholder of Repower Energy Development Corporation (the "Company") hereby appoints the Chairman of the meeting, as attorney and proxy, with power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on 2 July 2024 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Election of Directors.

____ 1.1. Vote for all nominees listed below:

1.1.1. Renato Zamora Locsin
1.1.2. Eric Y. Roxas
1.1.3. Ryotaro Sumi
1.1.4. Ryan Wesley T. Yapkianwee
1.1.5. Charlie T. Sy
1.1.6. Antonio Felix C. Carag (Independent Director)
1.1.7. Edmond P. Maceda (Independent Director)
1.1.8. Nicholas Anthony N. Te (Independent Director)

____ 1.2. Withhold authority for all nominees listed above

____ 1.3. Withhold authority to vote for the nominees listed below:

_____ _____
_____ _____
_____ _____

2. Approval of minutes of previous Annual Stockholders' Meeting.
___ Yes ___ No ___ Abstain

3. Approval of 2022 Annual Report (Operations and Results).
___ Yes ___ No ___ Abstain

4. Ratification of all acts and resolutions of the Board of Directors and Management from the date of the last Stockholders' Meeting to 02 July 2024.
___ Yes ___ No ___ Abstain

5. Appointment of Reyes Tacandong & Co. as external auditor.
___ Yes ___ No ___ Abstain

6. At their discretion, the proxies named above are authorized to vote upon such other matters as may be properly come before the meeting.
___ Yes ___ No ___ Abstain

_____
Printed Name of Stockholder

_____
Signature of Stockholder /
Authorized Signatory

_____
Date

**THIS PROXY FORM SHOULD BE RECEIVED BY THE CORPORATE SECRETARY (IN HARDCOPY TO THE OFFICE OF THE CORPORATE SECRETARY AT 2704 EAST TOWER, TEKTITE TOWERS, EXCHANGE ROAD, ORTIGAS CENTER, PASIG CITY OR SOFTCOPY SUBMITTED THROUGH THE ASM ONLINE REGISTRATION PORTAL) ON OR BEFORE 21 JUNE 2024.**

**SECRETARY'S CERTIFICATE**

I, _____, Filipino, of legal age and with office address at _____, do hereby certify that:

1. I am the duly elected and qualified Corporate Secretary of _____ (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at _____;

2. Based on the records, during the lawfully convened meeting of the Board of Directors of the Corporation held on _____, the following resolution was passed and approved:

> "**RESOLVED**, that _____ be authorized and appointed, as he is hereby authorized and appointed, as the Corporation's Proxy (the 'Proxy') to attend the 2024 annual meeting of the stockholders of Repower Energy Development Corporation ('REDC'), or at any meeting postponed or adjourned therefrom, with full authority to vote the shares of stock of the Corporation held in REDC and to act upon all matters and resolution that may come before or presented during meetings, or any adjournments thereof, in the name, place and stead of the Corporation;
>
> "**RESOLVED**, **FINALLY**, that REDC be furnished with a certified copy of this resolution and REDC may rely on the continuing validity of this resolution until receipt of written notice of its revocation."

3. The foregoing resolution has not been modified, amended or revoked in accordance with the records of the Corporation presently in my custody.

**IN WITNESS WHEREOF**, I have signed this instrument in _____ on _____.

_____
Printed Name and Signature of the
Corporate Secretary

**SUBSCRIBED AND SWORN TO BEFORE ME** on _____ in _____, affiant exhibited to me his/her Competent Evidence of Identity by way of _____ issued on _____ at _____.

Doc. No. _____;
Page No. _____;
Book No. _____;
Series of 2024.

**SECURITIES AND EXCHANGE COMMISSION**

## SEC FORM 20-IS

**INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [✓] Definitive Information Statement

2. Name of Registrant as specified in its charter:
   **REPOWER ENERGY DEVELOPMENT CORPORATION**

3. Province, country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **CS201310124**

5. BIR Tax Identification Code: **008-541-419-000**

6. Address of principal office: **3rd Floor JTKC Center, 2155 Chino Roces Ave., Makati City**
   Postal Code: **1230**

7. Registrant's telephone number, including area code: **(02) 8818-8892**

8. Date, time and place of the meeting of security holders:

   Date : 02 July 2024 (Tuesday)
   Time: : 11:00 in the morning
   Place : Principal Office of the Corporation (for the Board of Directors) and via videoconference (for stockholders), in accordance with SEC Memorandum Circular No. 6, Series of 2020

9. Approximate date on which the Information Statement is first to be sent or given to security holders **7 June 2024**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| **Common Stock, ₱1.00 par value** | **650,000,002 (as of 31 May 2024)** |

12. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes [✓] No [ ]

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    **Philippine Stock Exchange - ALL Outstanding Common Shares**

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT REQUESTED TO SEND US A PROXY.**

**INFORMATION REQUIRED IN INFORMATION STATEMENT**

## A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

(a) Date, time, and place of meeting:

| | |
|---|---|
| Date | 02 July 2024 (Tuesday) |
| Time | 11:00 in the morning |
| Place | Principal Office of the Corporation (for the Board of Directors) and via videoconference (for stockholders), in accordance with SEC Memorandum Circular No. 6, Series of 2020 |

The approximate date on which the Information Statement will be sent or given to security holders is on 06 November 2023 (Monday).

(b) The complete mailing address of the principal office of Repower Energy Development Corporation (the "Company") is at 3rd Floor, JTKC Center, 2155 Don Chino Roces Ave., Makati City.

Item 2. **Dissenters' Right of Appraisal**

Sections 41 and 80 of the Revised Corporation Code provide for a shareholder's exercise of the right of appraisal (defined as the right of any stockholder to dissent and demand payment of the fair value of his shares). The instances where the right of appraisal may be exercised are as follows:

1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the Company's property and assets;

3. In case the Company decides to invest its funds in another corporation or business outside of its primary purpose; and

4. In case of merger or consolidation.

There are no items in the agenda that may give rise to a dissenting shareholder's exercise of the right of appraisal.

Section 81 of the Revised Corporation Code provides for the appropriate procedure for the exercise of the right of appraisal, *viz:*

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares: Provided, that the failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority

of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and Provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

(a) Except for the election of directors, no person who has been a director or officer or any nominee for election as director of the Company or associate of such person has substantial interest, direct or indirect, in any matter to be acted upon.

(b) The Company is not aware of any director or security holder who intends to oppose any action to be taken by the Company during the stockholders' meeting.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. Voting Securities and Principal Holders Thereof**

(A) As of 31 May 2024, the Company has 650,000,002 common shares outstanding and each share is entitled to one vote. 194,972,600 (or 30%) of the outstanding common shares of the Company were held by non-Filipinos.

(B) The record date with respect to the determination of the stockholders entitled to notice of and vote at the Annual Stockholders' Meeting is **24 May 2024.**

(C) In the forthcoming annual stockholders' meeting, stockholders shall be entitled to elect eight (8) members to the Board of Directors. Each stockholder may vote such number of shares for as many as eight (8) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by eight (8) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by eight (8).

(D) Security ownership of certain record and beneficial owners and management.

(1) Security Ownership of Certain Record and Beneficial Owners

The following persons or group are known to the Company as directly or indirectly the record or beneficial owners of more than five percent (5%) of the Company's voting securities as of 31 May 2024:

| TITLE OF CLASS | NAME AND ADDRESS OF RECORD OWNER AND RELATIONSHIP WITH ISSUER | NAME AND ADDRESS OF BENEFICIAL OWNER AND RELATIONSHIP WITH RECORD OWNER | CITIZENSHIP | NO. OF SHARES HELD | PERCENT |
|---|---|---|---|---|---|
| Common | Pure Energy Holdings Corporation*<br>3F JTKC Centre, 2155 Chino Roces Ave., Makati City | various stockholders (majority stockholder: DYT Equities Corporation<br>3F JTKC Centre, 2155 Chino Roces Ave., Makati City) | Filipino | 374,899,995 | 57.68% |
| Common | PCD Nominee Corporation**<br>G/F Makati Stock Exchange | (see footnote) | Filipino | 275,099,009 | 42.32% |

| | | | | | |
|---|---|---|---|---|---|
| | 6767 Ayala Avenue, Makati City | | | | |

**Pure Energy Holdings Corporation, holding 57.68% of the outstanding capital stock, is the parent company of Repower Energy Development Corporation. Pure Energy Holdings Corporation, in turn, is 76.06% owned by DYT Equities Corporation, which is 99.99% owned by Mr. Dexter Y. Tiu.*

***PCD Nominee Corporation ("PCDNC") is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"). The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares; instead the participants have the power to decide how the PCD shares in REDC are to be voted.*

The following persons are likewise known to the Corporation to hold more than 5% of the Company's capital stock whose shares are under PCD Nominee Corporation*:*

| TITLE OF CLASS | NAME AND ADDRESS OF RECORD OWNER AND RELATIONSHIP WITH ISSUER | NAME AND ADDRESS OF BENEFICIAL OWNER AND RELATIONSHIP WITH RECORD OWNER | CITIZENSHIP | NO. OF SHARES HELD | PERCENT |
|---|---|---|---|---|---|
| Common | **Tokai Corporation** 2-6-8 Tokiwa-cho, Aoi-ku, Shizuoka City, Shizuoka Prefecture, Japan | **Tokai Holdings Corporation** 2-6-8 Tokiwa-cho, Aoi-ku, Shizuoka City, Shizuoka Prefecture, Japan | Japanese | 130,100,000 | 20.02% |
| Common | **Climate Energy Advisors Three Ltd.** Woodbourne Hall, Road Town, Tortola, British Virgin Islands | **Christian Robert S. Lim** (Authorized Representative) 16th Floor, Petron Megaplaza, 358 Sen. Gil J. Puyat Ave, Makati City | British Virgin Islands | 64,650,000 | 9.95% |

Apart from the foregoing, there are no other persons holding more than 5% of the Company's outstanding capital stock.

(2) Security Ownership of Management

The following table shows the shares beneficially owned by the directors and executive officers of the Company as of 31 May 2024.

| TITLE OF CLASS | NAME OF BENEFICIAL OWNER | AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP | | CITIZENSHIP | PERCENT OF CLASS |
|---|---|---|---|---|---|
| Common | Renato Zamora Locsin | 1 | Direct | Filipino | 0.00 |
| Common | Eric Peter Y. Roxas | 1 | Direct | Filipino | 0.00 |
| Common | Suzanne S. Canete | 1 | Direct | Filipino | 0.00 |
| Common | Ryan Wesley T. Yapkianwee | 1 | Direct | Filipino | 0.00 |
| Common | Charlie T. Sy | 1 | Direct | Filipino | 0.00 |
| Common | Antonio Felix C. Carag | 1 | Direct | Filipino | 0.00 |
| Common | Edmond P. Maceda | 1 | Direct | Filipino | 0.00 |
| Common | Nicholas Anthony N. Te | 1,000 | Direct | Filipino | 0.00 |
| ***All directors and executive officers as a group*** | | ***1,007*** | | | 0.00 |

(3) Voting Trust Holders of 5% or More

There is no party known to the Company as holding any voting trust or any similar arrangement for 5% or more of the Company's voting securities.

**Changes in Control**

There is no arrangement known to the Company which may result in a change in control of the Company.

Item 5. **Directors and Executive Officers**

The following are the Directors and Executive Officers of the Company:

| NAME | POSITION WITH THE COMPANY | DATE OF FIRST ELECTION/ LAST ELECTION |
|---|---|---|
| Renato Zamora Locsin | Director and Chairman | August 2019/23 June 2023 |
| Eric Peter Y. Roxas | Director and President | 2015/23 June 2023 |
| Suzanne S. Canete | Director and Treasurer | August 2019/23 June 2023 |
| Ryan Wesley T. Yapkianwee | Director | October 2022/23 June 2023 |
| Charlie T. Sy | Director and Investor relations Officer | October 2022/23 June 2023 |
| Antonio Felix C. Carag | Independent Director | 23 June 2023 |
| Edmond P. Maceda | Independent Director | 23 June 2023 |
| Reynaldo C. Piamonte | Vice President | 07 August 2023 |
| Ann Margaret K. Lorenzo | Corporate Secretary | 07 August 2023 |
| Gianna Chris Gaile E. Bitancor | Assistant Corporate Secretary | 13 December 2023 |
| Rolando P. Domingo | Chief Financial Officer | June 2018/23 June 2023 |
| Susan Bertulfo-Carisma | Compliance Officer | 07 August 2023 |

**Board of Directors**

The present members of the Board of Directors ("BOD") were elected during the stockholders' meeting held on 23 June 2023. The term of the current members of the BOD shall be until the next stockholders' meeting, or on 02 July 2024.

The Corporate Governance Committee is composed of its Chairman, Mr. Edmond P. Maceda, and Mr. Antonio Felix C. Carag. In accordance with the Securities Regulation Code and its Implementing Rules and Regulations, the Corporate Governance Committee reviewed the qualifications of proposed candidates for election as directors and accordingly, the following are endorsed for election as regular directors at the stockholders' meeting on 02 July 2024: Messrs. Locsin, Roxas, Yapkianwee, and Sy. Mr. Ryotaro Sumi, a new candidate for election as director, has likewise been endorsed for election as regular director.

The business experience for at least the last five (5) years of the Company's candidates for re-election as regular directors are as follows:

***Renato Zamora Locsin, 63, Filipino, Chairman of the Board***

Mr. Locsin is the Concurrent Chairman of Repower Energy Development Corporation. He was previously employed as a banker for over 20 years as AVP / Risk Administration Officer of the Risk Management Dept of ING Bank, Manila from 1996 to 2013 and Supervisor / Work Flow Coordinator of the Citibank N.A. Distributions Unit (Tax Shelter Center, Fulfillment, Pre-Processing, Processing & Maturities Units) at the main office of the Citibank Tax Shelter Center (CTSC) in New York City, USA from 1984 to 1991. As a Citibank N.A. prerequisite, he was also assigned to the Citicorp Brokerage Unit (1990) for almost a year. He holds a BS in Business Administration Degree from De La Salle University.

***Eric Peter Y. Roxas, 61, Filipino, Director and President***

Mr. Roxas is an incorporator and the President of the Company. He is also a Director and President of Pure Energy Holdings Corporation. Concurrently, he is a director of Coal Asia Holdings Incorporated, a publicly-listed company, and NexGen Energy Corporation. He is also a Director and Treasurer of Eagle

Equities, Inc. He holds a Bachelor of Science degree in Industrial Engineering from De La Salle University.

***Ryan Wesley T. Yapkianwee, 41, Filipino, Director***

Mr. Yapkianwee is the President and CEO of Tubig Pilipinas Group, Inc. He is a Licensed Civil Engineer who placed in the upper 1% of all the examinees during the 2005 Civil Engineering Board exams. He graduated from De La Salle University with a degree in Civil Engineering and a sub-specialization in Structural Engineering. Having also gone through work experience in the field of construction and project management, Mr. Yapkianwee decided to concentrate in the field of design. He worked with the Top Local Structural Firm in the Philippines (Sy2 + Associates) for 10 years and eventually led the design team of the company. He has also given numerous lectures and talks on engineering for prestigious school and organizations such as De La Salle University, Junior Philippine Institute of Civil Engineers, Local Government of Makati and the Civil Engineering Society among others. He also serves as a director for Quadcore Construction and Development Corp, Green Apple Technologies & Systems Inc, and RYC Dining. Mr. Yapkianwee is likewise an independent director of W Group. He brings a broad range of experience from different industries ranging from utilities, construction, consultancy, IT, property development, F&B and lastly, public service.

***Charlie T. Sy, Filipino, 67, Director and Investor Relations Officer***

Mr. Sy is the Investor Relations Officer and Director of Repower Energy Development Corporation and graduated Management from Ateneo de Manila University. He is the President and Director of Diversys Spectrum Products Inc., President of Philippine Parkerizing Inc., Director and Treasurer of Bacolod Bulk Water Inc. and Director of Highmarks Industrial Corporation.

The business experience and affiliations of the new candidate for election as director is as follows:

***Ryotaro Sumi, 63, Japanese, Director***

Mr. Sumi is a graduate of Waseda University in Japan. He has many years of experience in the infrastructure business at Sogo Shosha, a Japanese conglomerate, where he invested in power generation, gas distribution and water supply projects in Southeast Asia, the Middle East, Europe and the Americas.

He also has experience arranging financing for national oil and gas companies in various countries. In the renewable energy business, he has experience in developing and investing in Wind Firm in Australia from scratch. TOKAI, which he currently belongs to, promotes cross-border M&A mainly in Southeast Asia, and tries to contribute to Asian countries by investing in and cooperating with promising Asian companies. He is the Senior Operation Officer for the International Business Division of Tokai Corporation, and is concurrently a director of Tokai Myanmar Company Ltd. He previously served as an executive officer for Tokai Holdings Corporation, Mitsui & Co., Ltd., Mitsui & Co. (Asia Pacific), Mitsui & Co. Pte. Ltd. (Thailand), Mitsui & Co. Pte. Ltd. (Singapore), Mitsui & Co., Ltd. (Tokyo)

**Independent Directors**

Pursuant to the requirements of Section 38 of the SRC, the Company's Board of Directors and stockholders approved the amendment of the Company's Amended By-Laws adopting the requirement on the nomination and election of independent directors on 02 February 2023. The Amended By-Laws was approved by the SEC on 22 March 2023.

The nomination, pre-screening and election of independent directors were made in compliance with the requirements of the Code of Corporate Governance and the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors which have been adopted and made part of the Corporation's By-Laws.

The Corporate Governance Committee endorsed the nominations for re-election as independent directors given in favor of Messrs. Antonio Felix C. Carag, Edmond P. Maceda, and Nicholas Anthony N. Te. The Corporate Governance Committee has determined that these nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Company's Manual on Corporate Governance and Rule 38 of the Implementing Rules of the Securities Regulation Code.

The nominees, who are also incumbent independent members of the Board of Directors and whose required information are discussed below, are in no way related to the stockholders who nominated them and have signified their acceptance of their respective nominations. These nominees are expected to attend the scheduled Annual Stockholders' Meeting.

***Antonio Felix C. Carag, 63, Filipino, Independent Director***

Mr. Carag is one of the independent directors of Repower Energy Development Corporation. He graduated Animal Husbandry from the University of the Philippines and is currently a consultant and partner of KKP/WWF Special projects. He is also president of Andventures and Expeditions Philippines Inc. and Valley Vision Inc. and a joint venture partner of Plantation Villas Subdivision

***Edmond P. Maceda, 57, Filipino, Independent Director***

Mr. Maceda is one of the Independent Directors of Repower Energy Development Corporation and graduated Environmental Engineering from Standford University. He served as a sustainability consultant for Megaworld Corporation for 8 years and sustainability director of Enderun Colleges Inc. for 3 years. He also served as sustainability technical expert of the Climate Change Commission and sustainability consultant to DLSU Animo Labs Technology Business Incubator.

***Nicholas Anthony N. Te, Filipino, Independent Director***

Mr. Te obtained his degree in Materials Science and Engineering graduate from UC Berkeley, California in May 2020. His professional journey is marked by a strong focus on research and development, as well as pilot-scale production, of novel cathode materials for EV's. Through optimized design of experiments, he paved the way for exponential increases in data throughput and production standard operations. With expertise in cutting-edge analytical techniques such as x-ray diffraction (XRD), scanning electron microscopy (SEM), and inductively coupled plasma - optical emission spectrometry (ICP-OES) to properly assess material properties and quality, Mr. Te has assisted in the development if multiple scalable cathode recipes. Peripherally, he has used his proficiency in several coding languages to aid in creating internal systems (primarily for databasing and data processing) to expedite the work of other engineers. During his undergraduate period, Mr. Te worked for the NASA-funded Combustion Fire Process Laboratory, aiding in the creation of modular testing systems for materials compatibility research in spacecraft/microgravity conditions. His internships brought him to understand the business and operations of mining in the Philippines with Marcventures Mining and Development Corporation as well as the downstream pyrometallurgical processes of Nickel and Iron at Lianyungang Huale Alloy Co., Ltd. He is currently serving as a director at Asian Appraisal Company Inc.

**Principal Officers**

***Renato Zamora Locsin, Filipino, Director and Chairman of the Board***

***Eric Peter Y. Roxas, Filipino, Director and President***

***Charlie T. Sy, Filipino, Director and Investor Relations Officer***

***Rolando P. Domingo, Filipino, Chief Financial Officer***

Rolando P. Domingo is the Chief Financial Officer of the Company. He was a banker for 20 years, holding VP Controller and other key positions at BPI Family Bank, Asian Bank, and BSA. He has over 25 years of experience in real estate as SVP-Controller for the St. Francis Square Group, and is well-versed in SEC and BIR regulatory, financial, and tax matters. He is both a licensed Certified Public Accountant and an Attorney at Law. He obtained his BSC - Major in Accounting in 1969, and his LLB - Bachelor of Laws in 1992, from Far Eastern University.

***Reynaldo C. Piamonte, Filipino, Vice President***

Prior to joining the Company, Mr. Piamonte was Assistant Director - Supply Chain Management at Globe Telecom, Inc., the company he was with from 2007-2023. Mr. Piamonte obtained his Bachelor of Science in Electronics and Communications Engineering from De La Salle University (Manila).

***Ann Margaret K. Lorenzo, 35, Filipino, Corporate Secretary***

Ann Margaret K. Lorenzo is the Corporate Secretary of the Company. She concurrently serves as Assistant Corporate Secretary of listed firms Asia United Bank Corporation, Crown Asia Chemicals Corporation, Discovery World Corporation and Pacific Online Systems Corporation. She is likewise the Assistant Corporate Secretary of the following reporting companies, Tagaytay Highlands Golf Club, Inc., Tagaytay Midlands Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., and The Spa and Lodge at Tagaytay Highlands, Inc. She is also the Corporate Secretary/Assistant Corporate Secretary of various private companies. Ms. Lorenzo is currently a Senior Associate at Tan Venturanza Valdez. She holds a Juris Doctor and a Bachelor of Arts Degree in English Studies, cum laude, both from the University of the Philippines, obtained in 2010 and 2014, respectively. She was admitted to the Philippine Bar in April 2015.

***Gianna Chris Gaile E. Bitancor, 28, Filipino, Assistant Corporate Secretary***

Gianna Chris Gaile E. Bitancor, Filipino, 28, is the Assistant Corporate Secretary of the Corporation. She is concurrently the Assistant Corporate Secretary of the following companies: Goodyear Steel Pipe Corporation, Coal Asia Holdings Incorporated, Ambergris Plus Parking Services Incorporated, Professional Parking Management Corporation, Park Secure Management Corporation, Navfix Flight Services, Inc., Rainbow Edcop Holdings Corporation, Jin Navitas Electric Corp. and Lunch Bucks Gourmand, Inc. She is also the Corporate Secretary of Numbers That Matter Inc. Ms. Bitancor is a Junior Associate at Tan Venturanza Valdez. She obtained her Bachelor of Arts degree in Art Studies (cum laude) and Juris Doctor degree from the University of the Philippines in 2017 and 2022, respectively. She was admitted to the Philippine bar in May 2023.

***Susan Bertulfo-Carisma, 64, Filipino, Compliance Officer and Vice President for Legal and Corporate Affairs***

Relatively new in the RE industry having joined Repower Energy Development Corporation in October 2015, she brings with her 37 solid years of corporate practice, having served as Vice President-Legal and Corporate Affairs, in-house counsel, and corporate secretary in Universal Motors Corporation's group of companies (1995-2015). Starting her career as an Associate at the Senator Ambrosio Padilla Law Office (1986), she later joined the government sector, having worked as Confidential Attorney for then Chief Justices Marcelo B. Fernan and Jose L. Yap, Supreme Court of the Philippines (1986-1989). She then moved over to the Public Attorneys' Office-Department of Justice (1989-1994), serving indigent clients as Public Attorney III and Executive Assistant to the Chief Public Attorney. She is also director of Bicol Hydropower Corporation and director and Corporate Secretary of Majayjay Hydropower Company Inc. both of which are subsidiaries of REDC.

**Family Relationships**

There are no family relationships within the fourth degree of consanguinity or affinity between the Directors and Officers of the Company.

**Significant Employees**

While the Company values the contribution of each of its employees, it believes that there is no employee as of the date of this report, the resignation or loss of whom, would have a material adverse impact on its business. On the operations side, the Company has developed easy-to-understand and accomplish Standard Operating Procedures and Preventive Maintenance Programs, which can be learned in a very short period of time. The bulk of our management personnel and employees are technical in nature whereby they are graduates of engineering and other related science courses. The Company can easily hire and train new engineers and deploy them in the field. As for management positions, the Company is continuously recruiting management engineers to hold senior posts in the company as the Company expands its operations further. To be able to maintain our key personnel, the Company has yearly incentive bonuses based on individual performance.

**Involvement in Certain Legal Proceedings**

To the best of the Company's knowledge, there are no occurrences of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director or executive officer of the Company in the past five years and as of date:

- any bankruptcy petition filed by or against any business of which the incumbent's directors or senior management of the Company was a general partner or executive officer, either at the time of the bankruptcy or within five years prior to that time;

- any conviction by final judgment in a criminal proceeding, domestic or foreign, pending against any of the incumbent directors or senior management of the company;

- any order, judgment, or decree, not subsequent reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the incumbent directors or senior management of the Company in any type of business, securities, commodities or banking activities; and

- any finding by documents or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or said regulatory organization, that any of the incumbent Directors or senior management of the Company has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

**Self-dealings and Related Party Transactions**

To the best of the Company's knowledge, no director is engaged in self-dealing or in any related party transactions that are not arms' length.

**Certain Relationships and Related Transactions**

**Transactions with and/or Dependence on Related Parties**

Related party transactions consist of transfers of resources, services, or obligations between the Group and its related parties.

Parties are considered to be related if one party has the ability to directly or indirectly, control or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled, or under common control with the Group; (b) associates; (c) individuals owning directly or indirectly, an interest in the voting power of the Group that give them significant influence over the Group and close members of the family of any such individual; and (d) members of the key management personnel of the Group.

In considering each possible related party relationship, attention is directly to the substance of the relationship and not merely on the legal form.

| | Amount of Transactions | | Balance at End of Year | |
|---|---|---|---|---|
| | **March 31, 2024** | December 31, 2023 | **March 31, 2024** | December 31, 2023 |
| **Due from Related Parties** | | | | |
| Stockholders | **₱56,162** | ₱67,106 | **₱56,162** | ₱ - |
| Associate | **–** | – | **17,263** | 17,263 |
| Entities under common control | **–** | 50,537,919 | **93,330,190** | 132,832,515 |
| | | | **₱93,403,615** | ₱132,849,778 |
| **Due to Related Parties** | | | | |
| Stockholders | **₱–** | ₱– | **₱324,821,368** | ₱545,666,890 |
| Entities under common control | **–** | 301,812,028 | **326,983,654** | 631,019,353 |
| Others | **79,358,664** | – | **79,547,937** | 189,273 |
| | | | **₱731,352,959** | ₱1,176,875,516 |

The transactions of the Group, in the normal course of business, with its related parties, and the outstanding balances from related parties arising from such transactions are as follows:

**Due from Related Parties**

These are noninterest-bearing working capital advances, unsecured, and are due and demandable. No impairment loss was recognized in 2024 and 2023.

**Due to Related Parties**

These are noninterest-bearing working capital advances, unsecured and are payable in cash and upon demand

**Disagreement with Director**

No director has resigned nor declined to stand for re-election to the Board of Directors since the date of the last annual meeting of stockholders because of a disagreement with the Company regarding the latter's operations, policies, or practices.

**Item 6. Compensation of Directors and Executive Officers**

The compensation for our executive officers for the years ended December 31, 2020, 2021, 2022 are shown below. The following table sets out the Company's President and two of themost highly compensated executive officers of the Company for the years ended December 31, 2021, 2022 and 2023:

| NAME | POSITION |
|---|---|
| Eric Peter Y. Roxas | President |
| Rolando P. Domingo | Chief Financial Officer |
| Reynaldo C. Piamonte | Vice President |

The following table identifies and summarizes the aggregate compensation of the Company's President and the four most highly compensated executive officers, as well as the aggregate compensation paid to all other directors and all other officers as a group, for the years ended December 31, 2021, 2022 and 2023:

| | YEAR | SALARY (IN PHP) | BONUS (IN PHP) | TOTAL (IN PHP) |
|---|---|---|---|---|
| President and two most highly compensated executive officers named above | 2021 | 2,966,600.00 | | 2,966,600.00 |
| | 2022 | 3,872,500.00 | | 3,872,500.00 |
| | 2023 | 5,400,000.00 | | 5,400,000.00 |
| Aggregate compensation paid to all other directors and all other officers as a group | 2021 | N/A | N/A | N/A |
| | 2022 | N/A | N/A | N/A |
| | 2023 | N/A | N/A | N/A |

No other annual compensations are given for any of the senior management officers

**Compensation of Directors**

Under the By-Laws, by resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. In case of compensation approved by stockholders representing at least a majority of the outstanding capital stock, the Board shall in no case receive and allocate an amount of not more than 10% of the net income before income tax of the corporation during the preceding year.

**Standard Arrangements and other Arrangements**

No director's fees nor per diems are awarded to non-executive directors for every meeting. There are no arrangements including consulting contracts pursuant to which directors of the registrant are compensated, or are to be compensated, directly or indirectly, for any services provided as a director, including any additional amounts payable for committee participation or special assignments, for the last completed fiscal year and the ensuing year. No director's fees nor per diems are awarded to non-executive directors for every meeting. There are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

**Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

There are no existing employment contracts with executive officers. Furthermore, there are no special retirement plans for executive officers. There is also no arrangement for compensation to be received from the Company in the event of a change in control of the Company.

**Warrants and Options Outstanding**

There are no outstanding warrants or options held by directors and officers nor are there any adjustments in the exercise price of said warrants or options.

**Item 7. Independent Public Accountants**

Representatives of the principal accountant (Reyes Tacandong & Co.), the Company's external auditors for the most recently completed fiscal year are expected to be present at the Annual Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire.

Details on the selected/recommended principal accountant and partner-in-charge for the ensuing year are as follows:

**ARTHUR VINSON U. ONG**
*Partner*

Reyes Tacandong & Co. audited the Company's statement of financial position as of 31 December 2023, and the statement of comprehensive income, statement of changes in stockholders' equity and statement of cash flows for the year ended 31 December 2023 and a summary of significant accounting policies and other explanatory notes. Their responsibility is to express an opinion on these financial statements based on their audit. The audits were conducted in accordance with Philippine Standards on Auditing. The partner who handled the Company's external audit was Mr. Arthur Vinson U. Ong.

The Company was incorporated on May 29, 2013. Since the appointment of Reyes Tacandong & Co., there has been no change in auditor and there has been no disagreement on accounting and financial disclosures.

In compliance with SRC Rule 68 3 (b) (iv), the assignment of Reyes, Tacandong & Co.'s managing partner shall not exceed five (5) years.

The aggregate fees for each of last two (2) fiscal years for professional services rendered by the external auditors are as follows:

| | 2023 | 2022 |
|---|---|---|
| Audit Fee | ₱644,000 | ₱609,000 |
| Other fees | - | - |
| TOTAL | ₱644,000 | ₱609,000 |

It is the policy of the Company that services to be rendered by independent auditors, as well as the corresponding fees thereof, must first be reviewed by the Audit Committee (the members of said

Committee being composed of Messrs. Antonio Felix C. Carag (Chairman), Edmond P. Maceda, and Eric Y. Roxas) prior to said report being endorsed to the Board of Directors for approval.

Professional fees paid to the external auditor are purely audit engagement fees. The external auditor was not engaged for professional services for tax accounting, compliance, advice, planning, and any other form of tax services.

The Company will recommend the accounting firm of Reyes Tacandong & Co. for reappointment at the scheduled annual stockholders' meeting.

## C. ISSUANCE AND EXCHANGE OF SECURITIES

There are no matters to be taken up during the Annual Stockholders' Meeting relating to the matters covered by Items 8 to 14.

## D. OTHER MATTERS

### Item 15. Action with Respect to Reports

The Company will seek the approval by the stockholders of the Minutes of the previous Annual Stockholders Meeting held on 23 June 2023 so, during which the following were taken up: (1) Call to Order, (2) Certification of Notice and Quorum (3) Approval of the Minutes of the previous stockholders' meeting, (4) President's Report and Presentation of Audited Financial Statements, (5) Ratification of All Acts of the Board of Directors and Officers, (6) Election of Directors, (7) Appointment of Reyes Tacandong & Co. as External Auditors, (8) Other Matters, and (9) Adjournment. All items were approved by the stockholders representing 100% of the outstanding capital stock who cast their votes through ballots or through sending their proxy forms and proxy votes to the Corporate Secretary. The Corporate Secretary tallied the votes from stockholders and proxies.

A copy of the Minutes for the 2023 Annual Stockholders' Meeting held last 23 June 2023 is currently posted on the Corporation's website and can be viewed at any time. (https://repowerenergy.com.ph/asm.html)
The Minutes contain the approval of the items:

1. The Minutes of the 2022 Annual Stockholders' Meeting
2. The President's Report for the year ended 31 December 2022, together with the Audited Financial Statements for the Fiscal Year ended 31 December 2022
3. Ratification of all the acts of the Board of Directors and Officers of the Corporation from the date of the last stockholders' meeting up to date of the 2023 ASM
4. Election of the following as members of the Board of Directors of the Corporation for the year 2023-2024 after receiving the requisite votes:

    Renato Zamora Locsin
    Eric Peter Y. Roxas
    Suzanne S. Canete
    Ryan Wesley T. Yapkianwee
    Charlie T. Sy
    Antonio Felix C. Carag *(Independent Director)*
    Edmond P. Maceda *(Independent Director)*

5. The proposal to re-appoint Reyes Tacandong & Co. as the Corporation's external auditor for year 2023

All items were approved by the stockholders representing 100% of the outstanding capital stock who cast their votes through ballots and proxy votes.

The Company will also seek approval by the stockholders of the 2023 Operations and Results contained and discussed in the Annual Report attached and made part of this Information Statement. Approval of

the reports will likewise constitute approval of the Audited Financial Statements as well as approval and ratification of the acts of management and of the Board of Directors for the past year.

Item 16. **Matters Not Required to be Submitted**

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. **Amendment of Charter, Bylaws or Other Documents**

No action will be taken with respect to any amendment to the Corporation's Articles of Incorporation or By-Laws.

Item 18. **Other Proposed Action**

The following are to be proposed for approval during the stockholders' meeting:

1. Minutes of the Annual Stockholders' Meeting held on 23 June 2023;
2. 2023 Operations and Results;
3. Ratification of all Acts of the Board of Directors and Officers;
4. Election of Directors for 2024-2025;
5. Appointment of Reyes Tacandong & Co. as External Auditors; and
6. Other Matters

The items covered with respect to the ratification of the acts of the Board of Directors and officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business, with those of significance having been covered by appropriate disclosures such as:

1. Membership in the relevant board committees;
2. Appointment of principal officers at the Organizational Board Meeting; and
3. Approval of Financial Reports.

Management reports which summarize the acts of management for the year 2023 are included in the Company's Annual Report to be sent to the stockholders together with this Information Statement and shall be submitted for approval by the stockholders at the meeting. Accordingly, approval of the Annual Report will constitute approval and ratification of the acts of Management stated in the Management Report during the period covered thereby.

Item 19. **Voting Procedures**

(a) Actions to be taken at the Annual Stockholders' Meeting shall require the vote of the stockholders representing at least a majority of the Company's outstanding capital stock.

(b) Two inspectors, who are officers or employees of the Corporation, shall be appointed by the Board of Directors before or at each meeting of the stockholders, at which an election of directors shall take place. If no such appointment shall have been made or if the inspectors appointed by the Board of Directors refused to act or fail to attend, then the appointment shall be made by the presiding officer of the meeting. For purposes of the Annual Stockholders' Meeting on 02 July 2024, the Corporate Secretary and/or her representative together with the Compliance Officer, have been designated as inspectors who have been tasked to oversee the counting of votes.

(c) Stockholders may vote at all meetings either in person or by proxy duly given in writing in favor of any person of their confidence and each stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the corporation; provided, however, that in the election of directors, each stockholder shall be entitled to cumulate his votes in the manner provided for by law. For the purpose of this year's annual stockholders' meeting, which will be held only in a virtual format, the stockholders may only vote through proxies or by remote communication (in absentia). The stockholders are encouraged to participate in the meeting by either of the following:

   i. by submitting duly accomplished proxies to the Office of the Corporate Secretary at 2704 East Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City on or before 5:30

p.m. on 26 June 2024.

For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

ii. by registering your votes on the matters to be taken up during the meeting through the e-voting platform set up for the purpose, the link for which will be sent to the stockholders after successful registration. Voting will be open until 11:00 in the morning of 02 July 2024.

(d) The method of counting votes shall be in accordance with the general provisions of the Revised Corporation Code. The counting shall be done by the inspectors abovementioned

**Omitted Items**

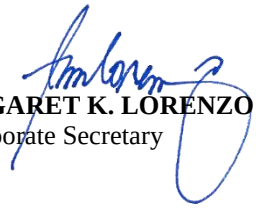
Items 8, 9, 10, 11, 12, 13, and 14 are not responded to in this report, the Company having no intention to take any action with respect to the information required therein**.**

**SIGNATURES**

After reasonable inquiry and to the best of our knowledge and belief, I hereby certify that the information set forth in this report is true, complete and correct.

This report is signed in the City of Pasig, Metro Manila on 6 June 2024.

**ISSUER: REPOWER ENERGY DEVELOPMENT CORPORATION**



**ANN MARGARET K. LORENZO**
Corporate Secretary

## PART I - BUSINESS AND GENERAL INFORMATION

### ITEM 1: BUSINESS

#### (1) BUSINESS DEVELOPMENT

Repower Energy Development Corporation ("REDC" or the "Company") was established on May 29, 2013 to be the hydropower arm of Pure Energy Holdings Corporation ("PEHC"). The parent company, PEHC, is a holding company established to be in the business of providing essential resources for the developmental growth of the country, driven by the vision to make available renewable energy and clean water. PEHC is a conglomeration of hydropower, bulk water and distribution, solar and geothermal member-companies.

PEHC envisioned the further development of its portfolio of hydropower projects as this is believed to be the foremost in renewable energy investment as compared to the other renewable energy sources like solar, wind, geothermal, and tidal or ocean energy. With this vision in mind, REDC focused on the development and operation of run of river hydropower projects. The Company immediately engaged the services of Vergel3 Consult Inc., founded by the late Engr. Manny Vergel, the only Filipino World Bank Consultant for run of river hydropower and acclaimed to be the father of hydropower in the Philippines. With the assistance of Vergel Consult for the preparation of feasibility studies, the Company has been able to secure Hydropower Service Contracts from the Department of Energy.

While working on financial close for its basket of hydropower projects, and in order to speed up the activities of REDC, on July 15, 2015, the Company acquired 42.28% of Philippine Power and Development Company ("PPDC") and in 2016, the Company further acquired 20.89% and subscribed and paid the 25% increase in the authorized capital stock of PPDC from Php650,000 to Php100,000,000, bringing its ownership to 99.39%. Currently, the remaining balance on the subscription price of the outstanding subscribed shares is Php 7,700,000.00. PPDC is a power company incorporated in 1927 and recognized as the owner of the three (3) oldest operating power plants in the country. REDC took over PPDC operations in 2015 and immediately re-engineered the hydropower plants, replacing its hydropower components' infrastructure, and bringing in the latest state-of-the-art electro-mechanical turbines, generators, and all other related equipment. Since such take-over, the actual generation output of the three (3) plants have increased by four hundred percent (400%). Before its rehabilitation, the three (3) PPDC plants were producing an approximate total of 300 MWh per month with a plant factor of less than 39% of its old rated capacity. After the rehabilitation works, it now produces an average total of 1,300 MWh per month with individual plant factors ranging from 50-80% of its new rated capacity. The facilities, all located in Laguna, namely, the Palakpakin, Balugbog and Calibato hydroelectric power plants, have all been restored to full commercial operation beginning 2018 to 2020. The acquisition and modernization of PPDC has merged the ageold technical experience of the senior engineers with the newer technologies of the Company's younger engineers to create a formidable REDC team for development and operation of mini hydropower plants.

At the same time that the Company was working on the modernization of the newly acquired PPDC plants, REDC, through its subsidiary Labayat 1 Hydropower Corporation ("Labayat 1"), embarked on its first of five hydropower projects in Quezon Province, the 3.456 MW Upper Labayat Mini Hydro Power Plant ("MHP") located in Maragondon, Real, Quezon. With financial close secured, the 3.456MW Upper Labayat MHP broke ground in May 2016 and was successfully commissioned in September 2021. Notwithstanding all the challenges of completing the plant through the Covid pandemic years, the Upper Labayat MHP is now one of REDC's model plants, and the Company is elated with the successful operations and above performance generation to date. Ground breaking of the 1.4MW Lower Labayat MHP and 5.0 MW Tibag MHP, all in the vicinity of Quezon province, followed suit and these plants are expected to be commissioned within the first half of 2023. The 4.5MW Piapi and 15MW Pulanai (Pulangi) has since commenced construction in February and March 2023 respectively. The 1.5 MW Tignoan MHP is in the process of completing its permitting requirements In November 2019, REDC purchased 864,750 shares or 88.19% of the capital stock of Majayjay Hydropower Company, Inc. ("MHCI") from existing shareholders of record. These shares were consolidated with the 106,750 shares or 10.89% acquired by Mr. Dexter Tiu of PEHC and were beneficially owned by him as early as 2016 when construction was about to start. The consolidation which was effected through a deed of sale in 2019, executed between Mr. Tiu and REDC, brought the equity of REDC in MHCI to a super majority of 99.08%. MHCI owns and operates the 2.19MW minihydroelectric power plant located in Majayjay, Laguna. The Majayjay MHP commenced its operations on May 17, 2019.

The shares of REDC were listed with the Philippine Stock Exchange (PSE) on July 23, 2023.

**Business Consolidation**

**Subsidiaries**

***Philippine Power and Development Company (PPDC)***

PPDC was incorporated on November 2, 1927. Back then, it was an independent power producer that pioneered, built (in 1928) and operated the first mini hydropower plant in Nagcarlan, Laguna, now known as Balugbog MHP. This MHP served the neighboring towns in Rizal, Nagcarlan, and Liliw, Laguna. At the time when Meralco was constructing its Botocan Hydro Plant, Meralco drew its electricity from PPDC. In addition, the MHP supplied electricity to the City of San Pablo for a considerable period after the liberation (i.e., post-World War II).

PPDC consequently built its Tulo MHP in Calamba, Laguna in 1938; its Palakpakin MHP at Calauan, Laguna in 1939; and the Calibato MHP in San Pablo, Laguna in 1940. PPDC continued to expand its business and purchased the Sta. Cruz Electric Plant in Sta. Cruz, Laguna in 1939 and Sto. Tomas Electric Plant in Sto. Tomas, Batangas in 1944. The combined generated powers from these power plants supplied electricity to the municipalities of Majayjay, Magdalena, Sta. Cruz, Pila, Victoria, Bay, Los Baños, and Calamba, all in the Laguna province, and Sto. Tomas, Batangas.

The company supplied electricity to 11 Laguna municipalities until 1983 when Meralco took over its distribution lines by virtue of a Presidential Decree ("P.D.") issued by then President Ferdinand E. Marcos. Most of PPDC's employees were accredited for employment by Meralco. As a distribution utility company, Meralco is not allowed to be a power generator by law, thus could not acquire the hydropower plants. Hence, PPDC continued to operate the three (3) plants, supplying bulk power to Meralco from July 1983 to May 2020.

In May 2020, after the upgrading and modernization of the three (3) plants, and with the expiry of its Power Supply Agreement with Meralco, PPDC promptly applied for the Feed in Tariff (FIT) regime of the government. To date, PPDC is a holder of a Provisional Authority to Operate FIT (PAO-FIT) , as it still has to comply with the EPIRA Law stating it has to have at least a 15% public ownership before it can be given the COC-FIT by the Energy Regulatory Commission ("ERC").

PPDC has three (3) mini hydropower plants in operation:
- 1.1 MW Balugbog Mini Hydropower Plant in Nagcarlan, Laguna;
- 1.5 MW Palakpakin Mini Hydropower Plant in Calauan, Laguna; and
- 0.3 MW Calibato Mini Hydropower Plant in San Pablo City, Laguna.

REDC has re-engineered, repowered, and modernized PPDC's facilities utilizing the latest available technologies to upgrade, expand, and automate its hydropower facilities. Averaging 95 years old, these mini hydropower plants are the Philippines' oldest operating plants as compared to the industry average age of the hydropower projects found in the Philippines at 20.38 years old.

***Majayjay Hydropower Company, Inc. (MHCI)***

Majayjay Hydropower Company, Inc. or MHCI was acquired by REDC on November 6, 2019 for the aggregate equity holding of 99.08% through a buy-out from its majority stockholders and their affiliates. MHCI owns the 2.19MW hydroelectric power plant located at Majayjay, Laguna. MHCI was granted by the ERC its COCFIT on July 7, 2021.

***Labayat 1 Hydropower Corporation (Upper Cascade Labayat MHP)***

Labayat 1 Hydropower Corporation was incorporated on August 17, 2015. It is a special purpose corporation ("**SPC**") organized to own, develop, manage, and operate the 3.456 MW Upper Labayat MHP located in Maragondon, Real, Quezon under HSC 2014-02-389 dated February 24, 2014. Labayat 1 Hydropower Corporation is controlled by REDC through its ownership of 71.00% of its capital stock, while the remaining 29.00% is owned by Volga Power Corporation of the Frabelle Group.

Breaking ground in May 2016, the company had to work through the challenges brought about by the COVID-19 pandemic to bring the project to completion. The Upper Labayat MHP successfully commissioned in September 2021, and now stands as a model for our basket of Hydropower projects in the Quezon province, with above performance generation to date.

***Bicol Hydropower Corporation (BHC)***

Bicol Hydropower Corporation or BHC is the latest addition to the group's corporate portfolio. BHC was acquired on July 26, 2021 for 74.12% from its majority stockholders. In 2022, the acquisition of the remaining 25.88% of BHC was completed, thereby giving the Company 100% ownership and control over BHC. BHC obtained both its Certificate of Registration and Operating Contract from the DOE on February 8, 1996 under Republic Act No. 7156 dated September 12, 1991, otherwise known as "*An Act Granting Incentives to Mini-hydroelectric Power Developers and for Other Purposes*". The said contract had a term of 25 years which expired last February 8, 2021.

Presently, BHC has been issued by the DOE its updated Certificate of Registration No. 2021-11-907, dated December 2, 2021, as RE developer of the Inarihan MHP, as well as its Hydropower Service Contract No. 2021-11-907 dated December 3, 2021.

BHC originally had a rated capacity of 960 kW with a minimal plant factor operating efficiency of just under 20%. After the acquisition by REDC, its facility was re-engineered, modernized and its hydropower components were uprated with the installation of new state-of-the-art electro-mechanical equipment, and the infrastructure of its hydropower components either rebuilt or improved.

***Tibag Hydropower Corporation (THC)***

THC, a 100% owned subsidiary of REDC, is presently completing the construction of the 5MW Tibag hydropower project located in Mauban, Quezon. Currently, it has installed the electro-mechanical equipment, turbines, generators, and other equipment in its facility and is in the process of completing the civil works hydropower components. The target date of commissioning is by the first half of 2023.

***Cabanglasan Hydropower Corporation (CHC)***

CHC, a 100% owned subsidiary of REDC, owns the 15MW Pulanai (Pulangi) run of river hydropower project located in Valencia, Bukidnon. It has recently received its project loan approval from the lending bank and has started construction in March 2023. It is scheduled to be operational by the end of 2025.

***Piapi Hydropower Corporation (PHC)***

PHC is a company formed by the Company which is 40% owned by a foreign-owned domestic corporation, Ultrasafe Corporation. Its registration with the SEC was approved on December 20, 2022 under SEC Certificate of Registration No. 2022120079285-04. With its primary purpose of "to carry and conduct business in all renewable energy resources such as hydro, solar, wind, biomass, tide, geothermal, and others, including bidding, construction, assembling, installation, and operation of different renewable power plants, equipment, and supplies connected therewith; x x x", the 60% Filipino owned PHC will own, develop, operate and manage the 4.5 MW Piapi River Hydroelectric Power Plant (Piapi HEPP) located at Mauban, Quezon Province. Since construction has commenced in February 2023, the corresponding transfer of the pertinent permits, clearances, endorsements and other authorizations, along with HSC No. 2014-02-390, is underway.

**Affiliates**

***Blue Energy Holdings and Management Corporation (Blue Energy or BEHMC)***

Blue Energy, spearheaded by Mr. Christopher A.D. Tiu, was incorporated on September 11, 2014 as an investment holding company. REDC owns 30.00% of Blue Energy, with the other partners owning the remaining 70.00%, as follows: (a) Christopher John Tiu (30.00%); (b) Kelvin Chai Gaisano (25.00%); (c) Constantine Phillip Ong (10.00%); and (d) Ryan Yapkianwee (5.00%). It is through this association that Blue Energy will develop the Lower Labayat and Tignoan MHP projects, each assigned to their respective special purpose corporations, namely, BEHMC Lower Labayat and BEHMC Upper Tignoan. At present, Lower Labayat MHP is in the construction phase and its targeted COD is within the first half of 2023, while the Tignoan MHP is in the process of completing the permits necessary for construction. The lending bank has already approved the project loan for Tignoan MHP.

Since 2021, REDC has infused additional capital in BEHMC in cash and through its deposits for future stock subscription (DFSS) in the aggregate amount of Php 40,191,200.00, thereby bringing its total equity to 31.74%

as of date of this Prospectus. The corresponding change in the capital structure in terms of total number of shares and equity percentages has yet to be processed for approval by the SEC of the appropriate amendments in the corporate charters. In unison with the development of its current hydropower service contracts, REDC will continue with its strategic acquisition of existing hydropower projects, enhancing their value through operational improvements, focused redevelopment, and the introduction of latest state-of-the-art technologies, including the use of artificial intelligence technology. It continues to search for other viable run of river hydropower projects, locally and internationally, to further increase the company's sustainability, its revenue stream, and to continue to be a niche player in the hydropower RE industry, expanding its footprint in the country.

## ITEM 2: PROPERTIES

REDC has certain leases for its head office space and staff houses with lease terms of 12 months or less. The Group applied the "short-term lease" recognition exemption for these leases. These contracts are normally renewed every year. The minimum lease payments due within one year under the non-cancellable operating lease agreement amounted to P3,741,084, 3,522,006 and P2,998,134 as at December 31, 2022, 2021 and 2020, respectively.

The Company will acquire (by purchase) Electromechanical Equipment consisting of turbines for the Cabanglasan and Piapi MHPs being developed by and through the Cabanglasan Hydropower Corporation and the Piapi Hydropower Corporation, respectively. Both CHC and PHC are subsidiaries of the Company. The costs are reflected in the respective contracts (EPC) entered into with the engaged contractors.

Some of the real properties, buildings and machinery owned by the subsidiaries are mortgaged to lending banks, but this is in connection with and pursuant to loan agreements entered into to finance the respective projects being owned, developed and to be managed and operated by these subsidiaries. Parcels of land, hydropower plants and construction in progress with a carrying value aggregating P2,588,865,448 and P2,443,339,892 as at December 31, 2022 and 2021, respectively, were mortgaged as collateral for the loans in favor of creditor banks. Carrying value of properties mortgaged is 85% and 92% of the total property, plant, and equipment of the Group as at December 31, 2022, and 2021, respectively. Transportation equipment with carrying amount of 536,409 and 708,321 as at December 31, 2022 and 2021, respectively, was mortgaged in favor of a creditor bank as collateral to finance its acquisition.

Below is a summary of the properties of the Company and its subsidiaries

| TCT/OCT/TAX DEC. NO | DESCRIPTION | LOCATION | ENCUMBRANCES, IF ANY/OTHER REMARKS |
|---|---|---|---|
| **CHC** | | | |
| TCT NO. 133-2023000928 | Land | Brgy. Lumbayao, Valencia City, Bukidnon | Undergoing real estate mortgage ("**REM**") Annotation with LBP for Php 9,053,000.00. With perpetual and uninterrupted right of way granted in favor of PMHC Pulanai, Inc., its successors and permitted assigns. |
| TCT NO. 133-2023000929 | Land | | Undergoing REM Annotation with LBP for Php 9,053,000.00. With perpetual and uninterrupted right of way granted in favor of PMHC Pulanai, Inc., its successors and permitted assigns. |
| TCT NO. 133-2023000930 | Land | | Undergoing REM Annotation with LBP for Php 9,053,000.00. With perpetual and uninterrupted right of way granted in favor of PMHC Pulanai, Inc., its successors and permitted assigns. |
| TCT NO. 133-2023000931 | Land | | Undergoing REM Annotation with LBP for Php 9,053,000.00 |
| TCT NO. 133-2023000932 | Land | | Undergoing REM Annotation with LBP for Php 9,053,000.00 |
| TCT NO. 133-2023000933 | Land | | Undergoing REM Annotation with LBP for Php 9,053,000.00 |

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| TCT NO. 133-2023000935 | Land | | Undergoing REM Annotation with LBP for Php 9,053,000.00 |
| TCT NO. 133-2023000934 | Land | | Undergoing REM Annotation with LBP for Php 9,053,000.00 |
| **PPDC** | | | |
| OCT NO. (2022000131) 075-2022000188103 | Land | Brgy. Palina. Nagcarlan, Laguna | Mortgaged in favor of lending bank, Land Bank of the Philippines, as per real estate mortgage (REM), dated 14 July 2017 with undertaking by the Free Patent title holder, Mr Eric Peter Y. Roxas, to revert legal title to beneficial owner, PPDC. |
| Katibayan ng Orihinal na Titulo Blg. CARP2019000053 | Land | | Mortgaged in favor of lending bank, Land Bank of the Philippines, as per real estate mortgage (REM), dated 14 July 2017 with undertaking by the Free Patent title holder, Mr Eric Peter Y. Roxas, to revert legal title to beneficial owner, PPDC. |
| OCT NO. 075-RO2020000029(23210) | Land | | Mortgaged in favor of lending bank, Land Bank of the Philippines, as per real estate mortgage (REM), dated 14 July 2017 with undertaking by the Free Patent title holder, Mr Eric Peter Y. Roxas, to revert legal title to beneficial owner, PPDC. |
| TCT NO. 075-RT2020003001(9503) | Land | | Mortgaged in favor of lending bank, Land Bank of the Philippines, as per real estate mortgage (REM), dated 14 July 2017 with undertaking by the Free Patent title holder, Mr Eric Peter Y Roxas, to revert legal title to beneficial owner, PPDC. |
| TCT NO. 075-RT2020003088(9501) | Land | | Mortgaged in favor of lending bank, Land Bank of the Philippines, as per real estate mortgage (REM), dated 14 July 2017. |
| TCT NO. T-83033 | Land | | Mortgaged in favor of LBP. |
| T-245510 | Land | | |
| TD NO. 02-0034-02910 | Building/ Powerhouse | | Mortgaged in favor of LBP. |
| TD NO. 02-0034-02908 | Machinery | | Mortgaged in favor of LBP. |
| TD NO. 02-0034-04555 | Building/ Powerhouse | | Mortgaged in favor of LBP. |
| TD NO. 02-0034-04554 | Machinery (Transformer, Turbine & Generator | | Mortgaged in favor of LBP. |
| TD NO. 06-0015-01015 | Building/ Powerhouse | | Mortgaged in favor of LBP. |
| TD NO. 06-0015-01016 | Building/ Powerhouse | | Mortgaged in favor of LBP. |
| TD NO. 06-0015-01017 | Building/ Office | | Mortgaged in favor of LBP. |
| TD NO. 06-0015-01018 | Machinery (Transformer, Turbine & Generator | | Mortgaged in favor of LBP. |
| TD NO. 06-0015-00751 | Machinery | | Mortgaged in favor of LBP. |
| TD NO. 17-0036-00003 | Machinery | | Mortgaged in favor of LBP. |

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| TD NO. 17-0036-00002 | Building/Powerhouse | | Mortgaged in favor of LBP. |
| TD NO. 17-0036-01781 | Building | | Mortgaged in favor of LBP. |
| TD NO. 17-0036-01782 | Machinery | | Mortgaged in favor of LBP. |
| **Labayat 1** | | | |
| TD NO. 30-009-0358 | Machinery (Turbines & Generator | Brgy. Maragondon, Real, Quezon | Mortgaged in favor of LBP. |
| TD NO. 30-009-0357 | Building/Powerhouse | | Mortgaged in favor of LBP. |
| TD NO. 30-009-0356 | Building/Powerhouse | | Mortgaged in favor of LBP. |
| **MHCI** | | | |
| TCT NO. 058-2017005067 | Land | Ibabang Banga, Majayjay Laguna | Mortgaged in favor of LBP. |
| TD NO. 16-0010-00602 | Building | | |
| TD NO. 16-0010-00603 | Machinery (Turbine, Generator & Transformer) | | |
| **BHC** | | | |
| TCT No. 57277 | Land | Brgy. Panicuason, Naga city, | |
| TD NO. 0802001800765 | Machinery (Turbine/GOV) | | Mortgaged in favor of LBP. |
| TD No. 0802001800759 | Building | | |

**ITEM 3: LEGAL PROCEEDINGS**

The Company and its Subsidiaries are involved in the following legal proceedings:

| Case Name | Court/Agency | Summary and Latest Status |
|---|---|---|
| **Repower Energy Development Corporation** | | |
| NWRB Case No. 2020-136/ Water Use Conflict No. 2020-136: In the Matter of the Petition for Transfer of Water Permit No. 024660 from Repower Energy Development Corporation to Tibag Hydropower Corporation (THC)<br><br>Date filed: July 18, 2020<br>Parties: REDC for Tibag Hydropower Corporation (THC)<br><br>The petition was filed to seek transfer of the water permit for the Tibag Hydroelectric power project from REDC to its 100%-owned subsidiary, THC.<br><br>NOTE: The Hydropower Service Contract for the Tibag HEPP has been transferred from REDC to THC, as approved by the DOE. | National Water Resources Board ("**NWRB**") | This is a Petition for the transfer of REDC's water permit to THC, the Company's SPC for the Tibag HEPP.<br><br>The LGU of Real, Quezon, filed an opposition to the transfer of the water permit on the ground that the endorsement of the LGU-Real must be obtained, before the transfer of the project from REDC to Tibag is effected.<br><br>REDC argued that there is no physical transfer of the water source from one locality to another, no change in the diversion point nor in the amount of appropriation, but is a mere transfer from the developer REDC to its special purpose corporation.<br><br>The LGU was not able to present any witnesses in support of their Opposition. This is pending resolution by the Board.<br><br>However, the case is scheduled anew for Preliminary Conference on April 19, 2023, due to a change in the hearing officer, and the handling stenographer's failure to submit the transcript of stenographic notes for the last hearing in 2021, when the LGU manifested that it will not present any witnesses. This stenographer has retired from the service in the interim. |

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| | | In the course of the preliminary conference held last April 25, 2023, the parties were required to file their respective position papers on May 10, 2023. After the parties had filed their respective position papers, the case is now submitted for resolution. |
| R-MKT-22-02511-SP For: Petition to Vacate Final Arbitral Award of the Philippine Dispute Resolution Center, Inc. ("**PDRCI**") dated 31 May 2022, in Amando T. Diaz, Riese L. Diaz and Abigail E.J. Diaz vs. Repower Energy Development Corporation, docketed as Case No. 113-2020.<br><br>Date filed: July 4, 2022<br>Parties: REDC vs. Amando T. Diaz, Riese L. Diaz and Abigail E.J. Diaz<br><br>The petition was filed seeking to vacate the final arbitral award rendered by the Philippine Dispute Resolution Center, Inc. | RTC-Makati Br. 137 | The Petition is anchored on the argument that the PDRCI exceeded its powers, such that a complete, final and definite award on the subject matter submitted to it was not made. This is pending resolution to date.<br><br>In the PDRCI case, REDC was ordered to pay the Amando T. Diaz, Riese L. Diaz and Abigail E.J. Diaz (the "**Claimants**") the following amounts:<br><br>(i) PhP24,712,348.40 (which is Claimants' 84.86104% share in the PhP29,120,958.69 balance of the purchase price for the purchase of MHCI),<br>(ii) the release of PhPl8,960,513.85 (which is Claimants' 84.86104% share in the retention money of PhP22,343,013.77 for the titling of real properties in the name of MHCI); and<br><br>(iii) the release of PhP15,484,969.78 (which is Claimants' 84.86104% share in the retention amount of PhPl8,454,041.31 for the civil works punchlist less PhPl75,321.60, the value of the repair work that was not completed on the desilter).<br><br>The petitioner, REDC, filed its Reply to the Respondents' Opposition to the Petition last March 3, 2023. The court may hold hearings or decide the case based on the pleadings filed. The Court has yet to act on the Petition to date. |

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| NPS. XV-05-INV-21E-0971 For: Other Deceits, Art. 318 of the Revised Penal Code, Repower Energy Development Corporation v. Oscar R. Reyes and Ireneo B. Acuña<br><br>Date filed: June 2021<br>Parties: REDC vs. Oscar R. Reyes and Ireneo B. Acuña<br><br>The criminal complaint was filed to make the respondents criminally as well as civilly liable for the damages and costs incurred by REDC. | Department of Justice (DOJ),<br><br>National Prosecution Service (NPS), Office of the City Prosecutor (OCP) Makati | Petition for Review from the dismissal by the OCP- Makati is pending resolution with the DOJ-NPS. |
| **Philippine Power and Development Company** | | |
| Civil Case No. 454 For: *Accion Reinvindicatoria* and Damages with Prayer of Preliminary Mandatory Injunction, Philippine Power and Development Company v. Catalina Briz Millares and Jerry Z. Briz<br><br>Date filed: October 28, 2021<br>Parties: Philippine Power and Development Company versus Catalina Briz Millares and Jerry Z. Briz<br><br>The complaint for *accion reinvindicatoria* or possession based on ownership was filed to recover PPDC's property fenced off and usurped by the defendants Catalina Briz Millares and Jerry Z. Briz. | Fourth Judicial Region, Municipal Trial Court, Calauan, Laguna | This stemmed from the usurpation by the defendants of a portion of PPDC's property covered by TCT No. 83033 which includes the site of its powerhouse and penstock.<br><br>As of February 16, 2023, as per the Court's Order of even date, the case has been submitted to decision and resolution.<br><br>The Court, in its decision dated May 5, 2023, ruled in favor of the Plaintiff, PPDC, ordering the defendants to surrender possession, vacate the subject property, pay rentals, among others.<br><br>As of June 20, 2023, PPDC's counsel has received a copy of the Motion for Reconsideration filed by the defendants, the seasonable filing of which is being verified by the same. |
| Criminal Case No. 19-30806 For: Grave Threats, People of the Philippines v. Catalina Briz Millares and Jerry Z. Briz<br><br>Date filed: August 2019<br>Parties: People of the Philippines (PPDC as private complainant) vs. Catalina Briz Millares and Jerry Z. Briz<br><br>The criminal case was filed to make the accused criminally liable for grave threats, and civilly liable for damages. | Metropolitan Trial Court, National capital Judicial Region Branch 116, Taguig City | This stemmed from the acts of coercion committed against PPDC's personnel and its contractors and suppliers, and barring them access to PPDC's powerhouse, substation and penstock.<br><br>A full-blown trial is in progress. The defense presented its last witness on March 15, 2023. The prosecution will conduct its cross- examination at the next hearing.<br><br>The next hearing will be in May 2023 for presentation of the last witness for the defense. |
| ERC Case No. 2014-075 RC: In the Matter of Application for Approval of the Power Supply Agreement (PSA) between Manila Electric Company (MERALCO) and Philippine Power and Development Company (PPDC), with prayer | Energy Regulation Commission (ERC) | This has been overtaken by the expiry of the PSA in 2020, although there has yet to be issued a formal notice or Order declaring the case terminated or closed.<br><br>PPDC, a registered member of WESM, is now injecting power to the Grid through the distribution facility of Meralco for which it pays the corresponding distribution wheeling services charges. |

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| for Provisional Authority<br><br>Date filed: 2014<br>Parties: MERALCO, PPDC and ERC<br><br>The Application was jointly filed by the Distribution Utility and PPDC to seek approval by the ERC of the Power Supply Agreement between them. | | |
| **Labayat 1 Hydropower Corporation** | | |
| Criminal Case No. R-MKT-21-02830-CR For: Estafa under Art. 315 (1)(b) of the Revised Penal Code, People of the Philippines v. Arnel H. Dungo<br><br>Date filed: 2020<br>Parties: People of the Philippines (L1HC as private complainant) vs. Arnel Dungo<br><br>The case was filed to make the accused criminally, as well as civilly, liable for acts of misappropriation committed against L1HC in respect of materials paid for but not delivered at the project site. | Regional Trial Court National Capital Region Branch 236, Makati City | This case was filed against the transmission line contractor of L1HC, for acts of misappropriation in respect of materials paid for by L1HC but have not been delivered to the project site; the civil works contract with the contractor has been terminated on the ground of non-performance and breach of its provisions.<br><br>The prosecution (*i.e.*, L1HC as private complainant) has terminated the presentation of its evidence and is required to file its formal offer of evidence within 10 days from the last hearing on March 22, 2023. The defense was given a similar period to comment. A status conference is set on May 29, 2023. Meanwhile, several hearings have been pre- scheduled on July, August, September and October, 2023. |
| R-MKT-22-01237-CR For: Estafa, People of the Philippines v. Arnel H. Dungo<br><br>Date filed: 2020<br>Parties: People of the Philippines (L1HC as private complainant) vs. Arnel Dungo<br><br>The case was filed to make the accused criminally, as well as civilly, liable for acts of alteration committed by using sub-standard materials, specifically, those without the prior approval of the NGCP. | National Capital Region Regional Trial Court Branch 142, Makati City | This case was filed against the transmission line contractor of L1HC, for acts of alteration in respect of the materials used for the project, more specifically, for not being compliant with specifications prescribed by concerned regulatory entities; the civil works contract with the contractor has been terminated on the ground of non- performance and breach of its provisions; the case is being heard by the Philippine Mediation Center for possible amicable settlement.<br><br>The prosecution (*i.e.*, L1HC as private complainant) will present its last witness from the NGCP, and for this purpose, will file the necessary motion for issuance of a subpoena. The next hearing is scheduled on April 26, 2023. The accused was given until May 29, 2023 to file its opposition to the prosecution's formal offer of evidence. |
| ERC Case No. 2020-014 MC: In the Matter of the Application for the Authority to Develop, own and/or operate Dedicated Point-to-Point Limited Facilities to connect the Upper Labayat Hydroelectric power plant project to the Luzon Grid, through the Kalayaan EHV (Lumban)-Famy-Infanta 69KV Sub-transmission Line of the National Grid Corporation of the Philippines | ERC | To date, the application is still under review/evaluation by the Team Leader of the Regulatory Operations Services-Standards Division (ROS-SD) of the ERC.<br><br>The case is now lined up for deliberation.<br><br>As of June 13, 2023, the recommendation of the Regulatory Operations Service-Standards Division (ROS-SD) of the ERC on the application is under evaluation by the Legal Services, for submission to the Commission. |

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| CIAC Case No. 48-2022 for Sum of Money and Damages filed by L1HC against Pacific Summit Renewable Construction Corp.<br><br>Date filed: July 28, 2022<br>Parties: L1HC vs. Pacific Summit Renewable Construction Corp. (PSRCC) | CIAC | The claim was sought to order respondent Pacific Summit Renewable Construction Corp. to pay claimant L1HC the amount of PhP19,349,773.36 representing advances made by L1HC, interest, moral and exemplary damages, and attorney's fees, for the abandonment of Pacific Summit Renewable Construction Corp. of its obligations in their contract for civil works construction. |
| The case was filed to recover from the contractor, PSRCC a sum of money comprising advances, other costs and damages. | | The parties have filed a Motion to Rule on the Compromise Agreement executed by the parties.<br><br>The case was amicably settled. On 24 January 2023, the CIAC rendered the corresponding decision based on the compromise agreement forged by the parties. |
| | | In the Award Upon Settlement dated January 23, 2023 and the Notice of Final Award Promulgated on January 24, 2023, the CIAC adopted the terms of the Joint Motion for Approval of the Settlement Agreement and Issuance of Judgment Based on the Settlement Agreement dated January 16, 2023. Among others, the CIAC approved the Settlement Agreement dated January 9, 2023, considered as withdrawn all pending matters before the CIAC, and<br>rendered judgment dismissing the CIAC case with prejudice to refiling. The parties agreed to mutually desist from enforcing claims as against each other after cash settlement. |
| CIAC Case No. 58-2022 for Sum of Money and Damages by L1HC versus Arvyn Construction Inc.<br><br>Date filed: September 2022<br>Parties:L1HC vs. Arvyn Construction Inc. (ACI)<br><br>The case was filed to recover from the contractor, ACI a sum of money comprising advances, other costs and damages. | CIAC | The claim was sought to order respondent Arvyn Construction Inc. to pay claimant L1HC the amount of PhP83,361,162.81 representing advances made by L1HC, PhP5,212,224.31, representing recoupment of the unearned portion of the downpayment made to Arvyn Construction Inc., interest, moral, liquidated and exemplary damages, and attorney's fees, for the abandonment of Arvyn Construction Inc. of its obligations in their contract for civil works construction.<br><br>After the respondent failed to present any evidence, the Tribunal required the parties to file their final paper on July 14, 2023, after which the case shall be submitted for decision. |

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| **Tibag Hydropower Corporation** | | |
| ERC Case No. 2021-025 MC: In the Matter of the Application for the Authority to Develop, own and/or operate Dedicated Point-to-Point Limited Facilities to connect the Upper Labayat Hydroelectric power plant project to the Luzon Grid, through the existing NGCP 69KV (Lumban)-Famy-Infanta Sub-transmission Line (Biga Switchyard), via the Lower Labayat and Upper Labayat Transmission Facilities.<br><br>Date filed: September 6, 2021<br>Parties: Tibag Hydropower Corporation and ERC<br><br>The Application was filed to seek authority from the ERC to own, establish and/or operate a dedicated, limited point-to-point transmission facility (through the NGCP) for the injection of power to the Grid. | ERC | After hearings conducted by the ERC where the Applicant, THC, presented its documentary submittals, and filed its formal offer of evidence, the Application is undergoing evaluation by the Regulatory Operations Service-Standards Division (ROS-SD) of the ERC.<br><br>As of June 13, 2023, the recommendation of the Regulatory Operations Service-Standards Division (ROS-SD) of the ERC on the application is under evaluation by the Legal Services, for submission to the ERC. |
| **Majayjay Hydropower Company, Inc.** | | |
| Special Civil Action Case No. SC-105 (22) Department of Energy v. Heirs of Juana Leobrera Monteagudo, For: Expropriation of 6,431 square meter lot belonging to the heirs of Leobrera Monteagudo<br><br>Date filed: May 13, 2022<br>Parties: Republic of the Philippines, represented by the Department of Energy, (with MHCI as necessary party) vs. Heirs of Leobrera Monteagudo.<br><br>The case was filed to expropriate a property belonging to the defendants, for the public purpose of operating, specifically, the penstock and switchyard components of, the MHCI hydroelectric power plant. | Regional Trial Court Fourth Judicial Region Branch 27, Sta. Cruz, Laguna | The expropriation, after failed reasonable negotiations for a negotiated sale, of Lot No. 3874 is necessary for the unimpeded implementation and operation of the Majayjay mini-HEPP. The property provides the location for MHCI's two major plant components, namely, the penstock pipes and switchyard.<br><br>The Majayjay HEPP is considered a significant infrastructure project of the National Government, and its continuous implementation and operation is necessary as it will further lessen the country's dependence on oil as a primary energy source.<br><br>As the Majayjay HEPP has generated clean electricity, it will also address the ever-pressing need for the government to take a more active role in protecting and preserving the environment.<br><br>There being no responsive pleading filed by the defendants, the Government moved for the issuance of an Order of Expropriation and appointment of Commissioners. The plant has been in operation since 2019.<br><br>The Republic of the Philippines has been granted a Writ of Possession over the lot subject of the expropriation proceedings. The case is pending final determination by the court for the amount of just compensation.<br><br>The Court has issued an Order of Expropriation, dated March 14, 2023, thereby appointing |

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|---|---|---|
| | | commissioners for the determination of just compensation. The tentative date for the oath-taking of the Commisioners is on July 5, 2023. |
| Special Civil Action Case No. SC-088 (17) Department of Energy v. Sps. Tuburcio, *et al.*, For: Expropriation of real property belonging to the Heirs of Sps. Tiburcio and Marciana Argañosa<br>Date filed: 2017<br>Parties: Republic of the Philippines, represented by the Department of Energy vs. Heirs of Sps. Tiburcio and Marciana Argañosa | Regional Trial Court Fourth Judicial Region Branch 28, Sta. Cruz, Laguna | A Writ of Possession had been issued as per Court Order dated July 3, 2018.<br><br>MHCI is awaiting the Commissioners' Report on the result of the site inspection, conducted last 24 March 2022, to determine the valuation of the lot sought to be expropriated which is also the site of the plant's headrace component.<br><br>The case is pending final determination by the court for the amount of just compensation.<br><br>The just compensation for the expropriated property has been determined and MHCI is willing to settle the same, after due coordination with the implementing agency, the DOE. |
| Special Civil Action Case No. SC-089 (17) Department of Energy v. Sps. Marcelino Clado, *et al.*, For: Expropriation of 4,950 square meter lot belonging to the heirs of Sps. Marcelino and Florentina Clado,<br>Date filed: 2017<br>Parties: Republic of the Philippines, represented by the Department of Energy vs. Heirs of Sps. Marcelino and Florentina Clado | Regional Trial Court Fourth Judicial Region Branch 91, Sta. Cruz, Laguna | The lot sought to be expropriated is being used for the headrace of the Majayjay mini-HEPP; the development of the RE resource under this project, is of national importance as it aims to achieve the country's self-reliance in its energy requirements through the integrated and intensive development of its indigenous energy resources and through the judicious conservation, renewal and efficient utilization of energy to keep pace with the country's growing demand.<br><br>After the pre-trial conference on February 15, 2023, MHCI nominated Engr. Abet Arellano as its Commissioner (for the determination of fair value). He is the incumbent Provincial Assessor. MHCI is awaiting issuance of the Court Order approving said nomination.<br><br>The plant has been in operation since 2019. |
| Special Civil Action Case No. SC-076 (16) Department of Energy v. Heirs of Ursula Ceria, For: Expropriation of 7,634 square meters of lot belonging to the Heirs of Ursula Ceria, et. al.,<br><br>Date filed: 2016<br>Parties: Republic of the Philippines, represented by the Department of Energy vs. Heirs of Ursula Ceria | Regional Trial Court Fourth Judicial Region Branch 91, Sta. Cruz, Laguna | The lot for expropriation is being used for the powerhouse and substation switchyard, two major components, of the Majayjay mini-HEPP; the development of the RE resource under this project, is of national importance as it aims to achieve the country's self-reliance in its energy requirements through the integrated and intensive development of its indigenous energy resources and through the judicious conservation, renewal and efficient utilization of energy to keep pace with the country's growing demand.<br><br>The counsel for the defendants filed a motion for reconsideration from the Commissioners' Report re valuation of the property. This is still pending before the court.<br><br>The plant has been in operation since 2019. |

| **Cabanglasan Hydropower Corporation** | | |
|---|---|---|
| Conversion of Lot Sites (Bukidnon) from agricultural to Industrial, to house CHC's component sites including the powerhouse<br><br>Date filed: March 8, 2022<br>Parties: Repower Energy Development Corporation (for Cabanglasan Hydropower Corporation) and the Department of Agrarian Reform<br><br>The case was filed to seek Department of Agrarian Reform ("**DAR**") Conversion Order from agricultural to industrial based on intended use over the lots owned by REDC. | Pending before the Central Office of the DAR. | The DAR conducted site inspection on December 27, 2022; to date, the inspection team has yet to come up with an inspection report.<br><br>Meanwhile, all documentary requirements on the ground have been complied with.<br><br>The application for conversion is still pending before the DAR-BALA. Meanwhile, the subject lots were transferred from REDC to CHC. |

## PART II - SECURITIES OF THE REGISTRANT

(1) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

The Company's common equity was first listed and traded on the Philippines Stock Exchange on July 24, 2023.

The trading prices of the Corporation's shares at the PSE for the last trading day of each quarter for year 2023 (and First Quarter 2024) are as follows:

| Quarter | High | Low | Close |
|---|---|---|---|
| 3Q 2023 | 5.28 | 5.2 | 5.28 |
| 4Q 2023 | 7.00 | 6.97 | 7.00 |
| 1Q 2024 | 6.40 | 6.10 | 6.10 |

As of the latest practicable trading date (05 June 2024), the price of the company's securities closed at ₱5.30.

(2) Holders of Common Equity

As of 31 May 2024, the Company had 11 stockholders as per its stock and transfer agent, Professional Stock Transfer, Inc. The list of shareholders reported by the Stock and Transfer Agent were as follows:

| | **Name of Stockholders** | **No. of shares** | **Percent** |
|---|---|---|---|
| 1 | Pure Energy Holdings Corporation | 374,899,995 | 57.68% |
| 2 | PCD NOMINEE CORPORATION - OTHERS | 194,972,600 | 29.99% |
| 3 | PCD NOMINEE CORPORATION - FILIPINO | 80,126,400 | 12.33% |
| 4 | Antonio Felix C. Carag | 1 | 0.00% |
| 5 | Edmond P. Maceda | 1 | 0.00% |
| 6 | Renato Z. Locsin | 1 | 0.00% |
| 7 | Eric Y. Roxas | 1 | 0.00% |
| 8 | Suzanne P. Canete | 1 | 0.00% |
| 9 | Charlie T. Sy | 1 | 0.00% |
| 10 | Ryan T. Yapkianwee | 1 | 0.00% |
| 11 | Nicholas Anthony N. Te | 1000 | 0.00% |
| | **Total** | **650,000,002** | **100.00%** |

The Company only has one class of share, common shares, and all such common shares have equal voting rights.

As of 31 May 2024, 194,972,600 common shares are held by non-Filipinos, placing the foreign ownership level of the Corporation at 30%., which is below the foreign ownership limit of 40%.

(3) Dividends

Pursuant to a board approval on February 3, 2023, the Board adopted a dividend policy to maintain an annual dividend payment ratio for its outstanding subscribed Common Shares of ten percent 10% to thirty percent 30% of the Company's net income after taxes of the immediately preceding fiscal year. However, the Board of Directors, in its discretion, may decide to declare dividends to be payable in property or shares. The declaration of dividends shall also be subject to the requirements of applicable tax laws, rules and regulations, the availability of cash and unrestricted retained earnings and other circumstances which may restrict the payment of dividends, including but not limited to negative covenants in loan documents with banks and other financial institutions.

The Company has not declared any kind of dividend to its shareholders since its incorporation. As of 31 December 2023, the Company (Parent) has no unrestricted retained earnings.

(4) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

For the year ended 31 December 2023, the Company has not issued any securities constituting an exempt transaction.

## PART III - FINANCIAL INFORMATION

### SUMMARY OF SELECTED OPERATING AND FINANCIAL INFORMATION

*The following tables present the summary of financial information and should be read in conjunction with the independent auditors' reports and REDC's financial statements, including the notes thereto, appearing in Appendix A-1 of this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" The summary financial information as of and for the years ended December 31, 2023, 2022 and 2021 were derived from REDC's audited financial statements, which were prepared in accordance with PFRS and were audited by Reyes Tacandong & Co. in accordance with the PSA.*

The summary financial information below is not necessarily indicative of the results of future operations.

### REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | (Audited) | | |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash | 34,987,808 | 82,663,712 | 44,888,443 |
| Funds held in escrow | – | – | 526,537,923 |
| Trade and other receivables | 164,137,142 | 129,679,951 | 132,814,321 |
| Due from related parties | 16,386,889 | 51,700,660 | 132,849,778 |
| Other current assets | 36,003,612 | 118,217,590 | 139,741,747 |
| **Total Current Assets** | **251,515,451** | **382,261,913** | **976,832,212** |
| **Noncurrent Assets** | | | |
| Investment in associates | 29,038,127 | 43,977,533 | 40,365,139 |
| Property, plant and equipment | 2,652,708,299 | 3,040,461,429 | 3,976,619,647 |
| Advances to contractors and suppliers – net of current portion | 251,205,518 | 37,884,825 | 267,167,509 |
| Goodwill | 135,950,686 | 135,950,686 | 135,950,686 |
| Other noncurrent assets | 9,564,705 | 9,321,668 | 17,330,755 |

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | (Audited) | | |
| **Total Noncurrent Assets** | 3,078,467,335 | 3,267,596,141 | 4,437,433,736 |
| **TOTAL ASSETS** | **3,329,982,786** | **3,649,858,054** | **5,414,265,948** |
| | | | |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 393,693,533 | 429,253,287 | 620,793,590 |
| Current portion of loans payable | 177,354,192 | 122,956,289 | 114,880,390 |
| Income tax payable | – | 3,246,880 | – |
| Due to related parties | 404,840,542 | 759,080,119 | 778,434,703 |
| Subscription payable | 4,218,750 | – | – |
| **Total Current Liabilities** | **980,107,017** | **1,314,536,575** | **1,514,108,683** |
| **Noncurrent Liabilities** | | | |
| Loans payable – net of current portion | 1,353,319,638 | 1,319,729,600 | 1,668,725,400 |
| Contract liability | – | – | 26,113,488 |
| Retention payable – net of current portion | 66,869,311 | 49,914,209 | 80,466,710 |
| Retirement liability | – | – | 5,088,972 |
| Net deferred tax liabilities | 3,612,410 | 4,117,059 | 2,200,040 |
| **Total Noncurrent Liabilities** | **1,423,801,359** | **1,373,760,868** | **1,782,594,610** |
| **Equity** | | | |
| Capital stock | 150,000,000 | 450,000,000 | 650,000,002 |
| Additional paid-in-capital | 200,000,000 | 324,901,466 | 1,095,920,304 |
| Deposit for stock subscription of subsidiaries | 424,901,466 | – | – |
| Retained earnings (deficit) | (36,412,724) | 114,727,620 | 278,571,843 |
| Other equity reserve | (8,820,817) | (39,802,416) | (39,802,416) |
| Other comprehensive income | – | – | 579,425 |
| | 729,667,925 | 849,826,670 | 1,985,269,158 |
| **Non-controlling Interest** | **196,406,485** | **111,733,941** | **132,293,497** |
| **Total Equity** | **926,074,410** | **961,560,611** | **2,117,562,655** |
| **TOTAL LIABILITIES AND EQUITY** | **3,329,982,786** | **3,649,858,054** | **5,414,265,948** |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | (Audited) | | |
| Sale of electricity | 233,281,590 | 382,042,042 | 467,810,661 |
| Feed-in-tariff (FIT) rate differential | – | – | (11,171,852) |
| **Revenues** | **233,281,590** | **382,042,042** | **456,638,809** |
| Cost of services | 65,745,842 | 104,870,426 | 131,829,830 |
| **Gross income** | **167,535,748** | **277,171,616** | **324,808,979** |
| Operating expenses | (38,512,579) | (53,426,762) | (93,094,648) |
| Interest expense | (46,627,218) | (64,810,725) | (70,683,528) |
| Equity share in net (loss) of associates | (10,184,468) | (1,851,794) | (3,612,394) |
| Other income (charges) – net | 7,205,601 | 2,728,941 | 12,849,902 |
| Income before income tax from continuing operations | 79,417,084 | 159,811,276 | 170,268,311 |
| Income tax expense (benefit) | | | |
| Current | – | 3,246,880 | – |
| Deferred | (71,436) | 504,650 | (1,917,018) |
| Net income from continuing operations | 79,488,520 | 156,059,746 | 172,185,329 |
| Net income (loss) from discontinued operations | (24,208,760) | 11,939,731 | – |
| **Net income** | **55,279,760** | **167,999,477** | **172,185,329** |
| Other comprehensive income | - | - | 600,997 |
| Total comprehensive income | 55,279,760 | 167,999,477 | 172,786,326 |
| Net income (loss) attributable to: | | | |
| Equity holders of the parent company | 67,289,249 | 151,140,344 | 165,119,223 |
| Non-controlling interest | (12,009,489) | 16,859,133 | 7,066,106 |
| | **55,279,760** | **167,999,477** | **172,185,329** |

| | | | |
|---|---|---|---|
| Total comprehensive income (loss) attributable to: | | | |
| Equity holders of the parent company | 67,289,249 | 151,140,344 | 165,698,648 |
| Non-controlling interest | (12,009,489) | 16,859,133 | 7,087,678 |
| | **55,279,760** | **167,999,477** | **172,786,326** |
| Basic / diluted earnings per share from continuing operations | 0.53 | 0.30 | 0.32 |
| Basic / diluted earnings per share | 0.45 | 0.36 | 0.32 |

**REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | For the years ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | | **(Audited)** | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax from continuing operations | 79,417,084 | 159,811,276 | 170,268,311 |
| Income (loss) before income tax from discontinued operations | (24,208,760) | 11,939,731 | – |
| Income before income tax | 55,208,324 | 171,751,007 | 170,268,311 |
| Adjustments for: | | | |
| Depreciation | 41,981,072 | 73,428,549 | 82,440,907 |
| Interest expense | 67,947,393 | 86,689,447 | 70,683,528 |
| Gain from deconsolidation of PMHC and subsidiaries | – | (34,276,628) | – |
| Gain on disposal of a subsidiary and an associate | (6,194,598) | (4,218,750) | – |
| Equity share in net loss of associates | 10,184,468 | 1,851,794 | 3,612,394 |
| Unrealized foreign exchange loss (gain) | - | 1,580 | – |
| Interest income | (136,024) | (37,522) | (178,093) |
| Gain on insurance proceeds | – | – | (4,739,996) |
| Retirement benefits | – | – | 5,689,969 |
| Provision for impairment of input value-added tax (VAT) | – | – | 1,241,757 |
| Write-off of input VAT | – | 1,518,416 | 1,709,636 |
| Operating income before working capital changes | **168,990,635** | **296,707,893** | **330,728,413** |
| Decrease (increase) in: | | | |
| Funds held in escrow | – | – | (526,537,923) |
| Trade and other receivables | (72,772,173) | 34,393,659 | (3,134,370) |
| Other current assets | (838,477) | (19,570,496) | 1,470,233 |
| Increase in trade and other payables | 68,709,431 | 84,028,477 | 188,368,105 |
| Net cash generated from (used for) operations | **164,089,416** | **395,559,533** | **(9,105,542)** |
| Interest received | 136,024 | 37,522 | 178,093 |
| Net cash provided by (used in) operating activities | **164,225,440** | **395,597,055** | **(4,187,453)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisitions of: | | | |
| Property, plant and equipment - net of retention | (477,085,315) | (714,701,470) | (910,331,191) |
| Non-controlling interest | – | (18,134,558) | – |
| Investment in an associate | – | (16,791,200) | – |
| Subsidiaries | (37,055,556) | – | – |
| Proceeds from disposal of: | | | |
| Subsidiaries | 38,000,000 | 37,701,059 | – |
| Property, plant and equipment | – | 448,986 | – |
| Other noncurrent assets | – | 243,037 | – |
| Payments for: | | | |
| Advances to contractors | (121,874,704) | (8,000,000) | (313,634,956) |
| Other noncurrent assets | (1,332,820) | – | (8,009,087) |
| Collection of due from related parties | 4,426,124 | 4,690,136 | 40,283,246 |
| Additional advances to related parties | (16,102,057) | (2,862,064) | (81,204,980) |
| Net cash used in investing activities | **(611,024,328)** | **(717,406,074)** | **(1,272,896,968)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from: | | | |
| Issuances of capital stock | – | – | 1,000,000,002 |

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | (Audited) | | |
| Loans payable | 525,320,000 | 352,493,751 | 466,000,000 |
| Advances from related parties | 292,758,424 | 201,869,783 | 347,863,425 |
| Non-controlling interest | 585,571 | – | – |
| Payments of: | | | |
| Loans payable | (184,151,131) | (55,814,440) | (122,956,290) |
| Interest payable | (125,654,059) | (102,336,482) | (88,382,447) |
| Stock issuance costs | – | – | (28,981,162) |
| Advances from related parties | (83,433,563) | (24,757,014) | (328,508,841) |
| Debt issue costs | (4,762,400) | (1,969,095) | (5,725,535) |
| Net cash provided by financing activities | **420,662,842** | **369,486,503** | **1,239,309,152** |
| Effects of foreign exchange rate changes in cash | - | (1,580) | – |
| Net increase (decrease) in cash | (26,136,046) | 47,675,904 | (37,775,269) |
| Cash at beginning of year | 61,123,854 | 34,987,808 | 82,663,712 |
| Cash at end of year | **34,987,808** | **82,663,712** | **44,888,443** |
| | | | |
| **NON-CASH FINANCIAL INFORMATION** | | | |
| Issuance of shares through application of deposit for future stock subscription (DFFS) | – | 424,901,466 | – |
| Application of advances to contractors | – | 94,601,209 | 58,406,489 |
| Transfer of loan to a related party | – | 100,000,000 | – |
| Application of DFSS to investment in subsidiary | – | 12,944,444 | – |
| Assignment of investment in associate | – | 4,218,750 | – |

**REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES**
**SUMMARY OF SELECTED OPERATING AND FINANCIAL INFORMATION**

**GROSS REVENUE**

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | (Audited) | | |
| **Company** | | | |
| Philippine Power and Development Company | 104,173,234 | 102,447,533 | 112,177,371 |
| Labayat 1 Hydropower Corporation | 26,901,234 | 156,336,606 | 127,037,483 |
| Majayjay Hydropower Company Inc. | 102,207,122 | 94,904,416 | 92,024,197 |
| Bicol Hydropower Corporation | – | 28,353,487 | 70,725,112 |
| Tibag Hydropower Corporation | – | – | 54,674,646 |
| **TOTAL** | **233,281,590** | **382,042,042** | **456,638,809** |

**EBITDA RECONCILIATION**

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | (Audited) | | |
| **EBITDA** | | | |
| Net Income (Loss) | 55,279,760 | 167,999,477 | 172,786,326 |
| Interest Expense | (46,627,218) | (64,810,725) | (70,683,528) |
| Income Tax Expense (Benefit) | (71,436) | 3,751,530 | (1,917,018) |
| Depreciation | 41,981,072 | 73,428,549 | 82,440,907 |
| **TOTAL** | **50,562,178** | **180,368,831** | **182,626,687** |

**Key Performance Indicators**

The Group uses the following measures to assess its performance from period to period.

| **Key Performance Indicators** | | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| Revenue Growth (Contraction) | 71.43% | 63.77% | 19.53% |
| Gross Income Margin | 71.82% | 72.55% | 71.13% |
| Net Income Margin | 23.70% | 43.97% | 37.84% |

| | | | |
|---|---|---|---|
| Return on Assets | 1.85% | 4.81% | 3.81% |
| Return on Equity | 6.15% | 17.80% | 11.22% |

*PPDC* A

**Key performance indicators**

| | Formula | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Current | current assets/current liabilities | 5.23 | 4.41 |
| Acid test ratio | quick assets/current liabilities | 1.71 | 1.62 |
| Debt to equity | total debt/total equity | 0.71 | 0.87 |
| Asset to equity | total asset/total equity | 1.71 | 1.98 |
| Interest rate coverage | earnings before interest and taxes/interest expense | 4.30 | 4.84 |
| Return on equity | net income/ average equity | 0.20 | 0.27 |
| Return on assets | net income/ average total assets | 0.11 | 0.12 |
| Net profit margin | net income/sales | 0.51 | 0.60 |

*BHC* B

**Key performance indicators**

| | Formula | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Current | current assets/current liabilities | 0.24 | 0.26 |
| Acid test ratio | quick assets/current liabilities | 0.07 | 0.08 |
| Debt to equity | total debt/total equity | 2.66 | 5.35 |
| Asset to equity | total asset/total equity | 3.66 | 6.35 |
| Interest rate coverage | earnings before interest and taxes/interest expense | 6.05 | 23.36 |
| Return on equity | net income/ average equity | 0.64 | 0.40 |
| Return on assets | net income/ average total assets | 0.14 | 0.09 |
| Net profit margin | net income/sales | | |

*CHC*

**Key performance indicators** C

| | Formula | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Current | current assets/current liabilities | 0.005 | 5.30 |
| Acid test ratio | quick assets/current liabilities | 0.005 | 0.12 |
| Debt to equity | total debt/total equity | 1.722 | 0.004 |
| Asset to equity | total asset/total equity | 2.72 | 1.00 |
| Interest rate coverage | earnings before interest and taxes/interest expense | n/a | n/a |
| Return on equity | net loss/ average equity | (0.013) | (0.009) |
| Return on assets | net loss/ average total assets | (0.006) | (0.007) |
| Net profit margin | net loss/sales | n/a | n/a |

*MHCI*

**Key performance indicators** MHCI

| | Formula | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Current | current assets/current liabilities | 4.635 | 3.981 |
| Acid test ratio | quick assets/current liabilities | 1.068 | 1.153 |
| Debt to equity | total debt/total equity | 0.761 | 1.091 |
| Asset to equity | total asset/total equity | 1.76 | 2.09 |
| Interest rate coverage | earnings before interest and taxes/interest expense | 6.03 | 5.14 |
| Return on equity | net loss/ average equity | 0.26 | 0.33 |
| Return on assets | net loss/ average total assets | 0.14 | 0.14 |
| Net profit margin | net loss/sales | 0.66 | 0.59 |

*L1HC*

**Key performance indicators** MHCI

| | Formula | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Current | current assets/current liabilities | 2.003 | 1.853 |
| Acid test ratio | quick assets/current liabilities | 0.277 | 0.630 |
| Debt to equity | total debt/total equity | 0.617 | 2.011 |
| Asset to equity | total asset/total equity | 1.62 | 3.01 |
| Interest rate coverage | earnings before interest and taxes/interest expense | 2.29 | 3.34 |
| Return on equity | net loss/ average equity | 0.07 | 0.21 |
| Return on assets | net loss/ average total assets | 0.03 | 0.07 |
| Net profit margin | net loss/sales | 0.27 | 0.43 |

*THC*

**Key performance indicators** MHCI

| | Formula | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Current | current assets/current liabilities | 0.195 | 0.126 |
| Acid test ratio | quick assets/current liabilities | 0.123 | 0.059 |
| Debt to equity | total debt/total equity | 1.932 | 3.020 |
| Asset to equity | total asset/total equity | 2.93 | 4.02 |
| Interest rate coverage | earnings before interest and taxes/interest expense | 11.04 | - |
| Return on equity | net loss/ average equity | 0.09 | (0.01) |
| Return on assets | net loss/ average total assets | 0.03 | (0.00) |
| Net profit margin | net loss/sales | 0.60 | - |

Definitions and formulas of the key performance indicators indicated above are detailed below.

***Revenue Growth (Contraction)***

The revenue growth (contraction) is the Group's increase (decrease) in revenues for a given period. This growth (contraction) rate is computed from the current revenues less revenues of the comparative period, divided by the revenues of the comparative period. This result is expressed in percentage.

***Gross Income Margin and Net Income Margin***

The gross income margin reflects the profitability of the Group's core business. This is computed by dividing gross income (revenues less cost of services) by revenues, and is expressed in percentage.

Net income margin is the ratio of the Group's net income after tax versus its revenues for a given period. This is computed by dividing net profit after tax by revenues. The result is likewise expressed in percentages.

Gross income and net income margins measure the Group's profitability and shows that the Group can keep its costs under control. It is also used by the Group as a measure that revenues are increasing faster than its costs, thus, placing the Group in a liquid position and vice versa.

***Return on Assets and Return on Equity***

The return on asset ratio is the ratio of the Group's net income to total assets. This measures the Group's ability to generate returns on its assets. This is computed by dividing net income after tax by the total assets. The result is expressed in percentage.

The return of assets shows the Group's underlying operational performance without considering its funding decisions. It measures how much income is generated for each peso of assets used. The Group considers how effectively assets are utilized to generate income and how well costs are managed to maintain profitability.

Return on equity is the ratio of the Group's net income to equity. This likewise measures the Group's ability to generate returns on investments made by the stockholders. This is computed by dividing net income after tax by the total equity. The result is expressed in percentage.

The return on equity shows the amount of income achieved for each peso invested by the Group's stockholders.

**(A) Management's Discussion and Analysis**

***As at March 31, 2024 Compared to as at December 31, 2023***

**1. Financial Condition**

The total assets of Repower Energy Development Corporation and Subsidiaries (the Group) expanded by P=264.5 million (+5%) from December 31, 2023 due mainly to the increase of advances to contractors and suppliers.

Material changes in asset accounts are analyzed as follows:

a. The net increase in cash of ₱73.3 million (+163%) is due to:
   i. Net increase in operational cash flows as a result of net income generated from the operating segments and continuing operations;
   ii. Collections of due from related parties amounting to ₱39.4 million.
   iii. Additions to advances to contractors and suppliers aggregating ₱161.3 million.

b. The net decrease in due from related parties of ₱39.4 million (-30%) is due to collection of working capital funds advanced to entities under common control to sustain operations. These advances are due and demandable and unimpaired.

c. Other current assets increased by ₱27.6 million (+20%) mainly due to increases in advances made to contractors and suppliers consistent with the Group's plan to expand its hydropower operations. The net decrease in other noncurrent assets of ₱2.9 million (-17%) is a result of reclassification of noncurrent portion of restricted cash.

d. Net decrease in property, plant and equipment by ₱2.2 million (-0.05%) represent the depreciation recorded for the period. There are also additions of ₱24.6 million hydropower plants for the period.

The total liabilities of the Group increased by ₱194.4 million (+6%) due primarily to availments of loans and advances from related parties. Material changes in liability accounts are analyzed as follows:

a. Net increase in trade and other payables amounting to ₱51.1 million (+8%) resulted from recording of progress billings from various contractors and suppliers.

b. Net increase in loans payable by ₱242.0 million resulted from availments for various purposes but mainly as part of the Group's operational expansion.

c. Noncurrent portion of retention payable also decreased by ₱51.7 million (-64%) due to settlement of contractor billings related to ongoing construction projects.

The Group's total equity increased by ₱70.1 million (+3%) due to the reported net income for the period.

Relevant financial ratios related to the Group's financial position are liquidity ratio, solvency ratio, debtto-equity ratio and asset-to-equity ratio.

The Group's liquidity ratios (current and acid test ratios) improved from 0.65:1 and 0.12:1 as at December 31, 2023 to 0.72:1 and 0.20:1 as at December 31, 2023 due mainly to availability of liquid funds.

The solvency ratio decreased from 0.08:1 to 0.03:1 as at March 31, 2024 and December 31, 2023 since the movement of the Group's net income before depreciation and amortization decreased as well.

The debt-to-equity ratio of 1.60:1 as at March 31, 2024 compared to the 1.56:1 as at December 31, 2023 shows the impact of the increases of the liability balances of the Group.

The asset-to-equity ratio of the Group increased from 2.56:1 as at December 31, 2023 to 2.60:1 as at March 31, 2024.

**2. Results of Operations**

**For the Three-month Period Ended March 31, 2024 Compared to for the Three-month Period Ended March 31, 2023**

The Group generated a total of ₱170.5 million revenues from its operations for the three-month period ended March 31, 2024 which is ₱49.6 million (+41%) higher than the revenue generated for the same period in the prior year. Consequently, gross income increased by ₱35.4 million (+39%). The total comprehensive income of the Group for the three-month period ended March 31, 2024 registered at ₱70.1 million which is ₱17.3 million (+33%) higher than that of the previous year for the same period.

Key factors to the changes of the items above are as follows:

a. Revenue increased mainly as a result of higher electric generation of the Group. The increase in is also brought about by the increased capacity from the L1HC and BHC operations. As a result of increased revenue, the cost also increased during the period.

b. Operating expenses increased by ₱5.8 million (+27%). During the period, the Group increased its spending representation and entertainment, taxes and licenses and salaries and wages.

c. Interest expense increased by ₱12.4 million (+80%) as a result of incurring more costs of borrowing related to the ongoing construction projects. The Group entered into various loan contracts with local creditor banks to finance the construction and rehabilitation of various projects, with interest rates ranging from 5.5% to 11% per annum, and with terms ranging from 3 to 15 years.

The resulting basic and diluted earnings per share of the Group decreased from 0.12 per share to 0.11 per share. This is due to the issuance of capital stock in 2023.

Relevant profitability ratios related to the Group's financial performance are return on equity, return on total assets and net income margin.

The return on equity of the Group decreased from 0.08:1 and 0.03:1. Consequently, the return on assets decreased from 0.03:1 to 0.01:1 across the periods.

Net income margin increased to 0.38:1 from 0.41:1 across the periods due to the improvement in the results of operations.

**3. Other Disclosures**

There were no material events subsequent to the end of the interim period that have not been reflected in the unaudited interim financial statements.

There were material changes in the composition of the Group during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

The Group has no contingent liabilities or contingent assets as at March 31, 2024.

There are no material contingencies and any other events or transactions that are material to the understanding of the current interim period.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

There are no material commitments for capital expenditures which are out of the scope of the use of proceeds from the IPO.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net revenues or income from continuing operations.

All significant elements of income or loss were generated from the Group's registered and continuing business operations.

Aside from the resulting effects of the IPO of the Group, there are no other nonrecurring or seasonal aspects that had a material effect on the financial condition or results of operations.

***For the fiscal years ended December 31, 2023 vs. December 31, 2022***

**1. Financial Condition**

The total assets of Repower Energy Development Corporation and Subsidiaries (the Group) expanded by ₱1.764 million (+48%) from December 31, 2022 due mainly to the receipt of proceeds from the initial public offering (IPO) on July 24, 2023.

Material changes in asset accounts are analyzed as follows:

a. The net decrease in cash of ₱37.8 million (-46%) is due to:
   i. Net increase in operational cash flows as a result of net income generated from the operating segments and continuing operations;
   ii. Cash inflows from issuance of common stock with gross amount of ₱1,000.0 million; and
   iii. Additions to property and equipment aggregating ₱936 million.

b. The net increase in due from related parties of ₱81.1 million (+156%) is due to working capital funds advanced to entities under common control to sustain operations. These advances are due and demandable and unimpaired.

c. Other current assets increased by ₱21.5 million (+18%) mainly due to increases in advances made to contractors and suppliers consistent with the Group's plan to expand its hydropower operations. The net increase in other noncurrent assets of ₱9.13 million (+98%) is a result of the set-up of a fund held in escrow.

d. Net decrease in property, plant, and equipment by ₱306 million (-61%) represent the reclassification to hydropower plants.

The total liabilities of the Group increased by ₱608.5 million (+23%) due primarily to availments of loans and advances from related parties. Material changes in liability accounts are analyzed as follows:

a. Net increase in trade and other payables amounting to ₱191.3 million (+44%) resulted from recording of progress billings from various contractors and suppliers.
b. Net increase in loans payable by ₱349.0 million (+26%) and due to related parties by Php 19 million (+2.5%) resulted from availments for various purposes but mainly as part of the Group's operational expansion. The increase was also partly due to the advances made by related parties under common control and of the stockholders which may be recognized as deposits for future stock subscription upon application for increase in capital stock, if any.
c. Noncurrent portion of retention payable also decreased by ₱30.5 million (+61%) due to settlement of contractor billings related to ongoing construction projects.

The Group's total equity increased by ₱1.156 million (+120%) as a direct result of the issuance of shares during the Group's IPO. The net proceeds from the IPO amounted to Php 949.5 million which was accounted for under capital stock and additional paid-in capital accounts. Retained earnings of the Group and the non-controlling interest accounts increased as a result of the net income earned during the period. Relevant financial ratios related to the Group's financial position are liquidity ratio, solvency ratio, debt-to-equity ratio and asset-to-equity ratio.

As a result of receiving proceeds from the IPO, the Group's liquidity ratios (current and acid test ratios) improved from 0.24:1 and 0.20:1 as at December 31, 2022 to 0.29:1 and 0.20:1 as at December 31, 2023 due mainly to availability of liquid funds.

The solvency ratio is 0.09:1 and 0.08:1 as at December 31, 2023 and December 31, 2022, respectively.

The debt-to-equity ratio of 1.55:1 as at December 31, 2023 compared to the 2.78:1 as at December 31, 2022 shows the impact of the increases of the liability balances of the Group.

The asset-to-equity ratio of the Group decreased from 3.78:1 as at December 31, 2022 to 2.55:1 as at December 31, 2023 which was partially impacted by the Group's IPO.

**2. Results of Operations**

**For the Twelve-month Period Ended December 31, 2023 Compared to for the Twelve-month Period Ended December 31, 2022**

The Group generated a total of ₱456.6 million revenues from its operations for the twelve-month period ended December 31, 2023 which is ₱74.60 million (+19.5%) higher than the revenue generated for the same period in the prior year. Consequently, gross income is higher by ₱47.64 million (+17%). The total comprehensive income of the Group for the twelve-month period ended December 31, 2023 registered at ₱172.78 million which is ₱4.8 million (+3%) higher than that of the previous year for the same period.

Key factors to the changes of the items above are as follows:

a. Revenue increased mainly as a result of higher electric generation of the Group. The increase in is also brought about by the increased capacity from the L1HC and BHC operations. As a result of increased revenue, the cost also increased during the period.
b. Operating expenses increased by ₱39.67 million (+74%). This increase can be attributed to the Group's thrust to progress the status of its operations. During the period, the Group increased its spending on salaries and wages, outside services, and professional fees. There were also significant increases in insurance, taxes and licenses, rental, depreciation and amortization, transportation and meals, and communication and utilities.
c. Interest expense increased by ₱5.87 million (+9%) as a result of incurring more costs of borrowing related to the ongoing construction projects. The Group entered into various loan contracts with local creditor banks to finance the construction and rehabilitation of various projects, with interest rates ranging from 5.5% to 11% per annum, and with terms ranging from 3 to 15 years.

The resulting basic and diluted earnings per share of the Group decreased from 0.36 per share to 0.32 per share. This is due to the decrease in the income non-controlling.

Relevant profitability ratios related to the Group's financial performance are return on equity, return on total assets and net income margin.

The return on equity of the Group remained relatively the same at 0.08:1 and 0.18:1 across the periods since the net income increased in proportion to the increase in the capital stock and additional paid-in capital. Consequently, the return on assets decreased from 0.03:1 to 0.05:1 across the periods.

Net income margin increased to 0.71:1 from 0.73:1 across the periods due to the improvement in the results of operations.

**3. Other Disclosures**

There were no material events subsequent to the end of the interim period that have not been reflected in the unaudited interim financial statements.

There were material changes in the composition of the Group during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

The Group has no contingent liabilities or contingent assets as at December 31, 2023. There are no material contingencies and any other events or transactions that are material to the understanding of the current interim period.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

There are no material commitments for capital expenditures which are out of the scope of the use of proceeds from the IPO.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net revenues or income from continuing operations.

All significant elements of income or loss were generated from the Group's registered and continuing business operations.

Aside from the resulting effects of the IPO of the Group, there are no other nonrecurring or seasonal aspects that had a material effect on the financial condition or results of operations.

***For the fiscal years ended December 31, 2022 vs. December 31, 2021***

**Material Changes to the Statement of Comprehensive Income for the period ended December 31, 2022 compared to the Statement of Comprehensive Income for the period ended December 31, 2021 (increase 5% or more)**

Revenues

From the year ended 2021 versus the year ended 2022, revenues increased from ₱233.28 million to ₱382.04 million, showing a year-on-year increase of 63.77%. The increase in revenues is primarily brought by the contribution of revenues from L1HC which started its operations in October 2021 and from BHC which started its operations in the third quarter of 2022.

The Group's hydropower revenues came from the operations of L1HC, PPDC, MHCI, and BHC.

Cost of Services

For the year ended 2022, cost of services increased by 59.52% from ₱65.75 million to ₱104.87 million. The increase was mainly due to operations of LIHC and BHC with 78.14% and 19.02% contribution to the total increase of cost, respectively.

Gross Income and Gross Income Margin

Gross income grew from ₱167.54 million in 2021 to ₱277.17 million in 2022, equivalent to a 65.44% growth. The gross income margins increased due to the revenue contributed by the newly operating subsidiaries and the minimal increase in the cost of services during the year.

Operating Expenses

Operating expenses increased by 38.73% from ₱38.51million in 2021 to ₱53.43 million in 2022. This increase can be attributed to the Group's thrust to progress the status of its operations. During the period, the Group increased its spending on research and development, transportation and meals, repairs and maintenance, representation and entertainment, and taxes and licenses by 502.77%, 404.44%, 236.07%, 193.91%, and 84.10%, respectively. In addition, there were also significant increases in salaries and wages, professional fee, training and seminar, fuel, oil and lubricants, communication and utilities.

The impact of force majeure events such as natural disasters can cause disruptions, delays, and damages to the operations of the MHPs. The effects caused by force majeure is often difficult to quantify as it is unpredictable and may vary depending on the circumstances.

Interest Expense

This account amounted to ₱46.63 million in 2021 and increased to ₱64.81 million or by 39.00%. The Group entered into various loan contracts with local creditor banks to finance the construction and rehabilitation of various projects, with interest rates ranging from 5.5% to 11% per annum, and with terms ranging from 3 to 15 years.

Interest Income

Interest income decreased by 72.42% from ₱136,024 in 2021 to ₱37,522 in 2022. Interest income is earned from cash in banks.

Income before Income Tax

The Group's income before tax from continuing operations was ₱79.42 million in 2021 and ₱159.81 million in 2022 or an increase of 101.23%. The increase was due to the increase in revenue which was contributed by the newly operated hydropower projects.

Income Tax Expense

This account amounted to ₱3.75 million in 2022 but resulted in an income tax benefit in 2021 amounting to ₱71,436. The current income tax in 2022 pertains to BHC's regular corporate income tax (RCIT). BHC is in the processes of obtaining its income tax holiday from the BOI. MHCI, PPDC and L1HC enjoy income tax holiday incentives from its BOI accredited projects.

Net Income

The Group ended 2022 with a net income amounting to ₱168.00 million, which is a 203.91% increase from ₱55.28 million in 2021. Ultimately, the increase is attributable to the increase in the group's combined revenue.

***Material Changes to the Statement of Financial Position as at December 31, 2022 compared to the Statement of Financial Position as at December 31, 2021 (increase/ decrease of 5.00% or more)***

Cash and Cash Equivalents

Cash and cash equivalents increased by 136.61% as at December 31, 2022 from ₱34.99 million as at December 31, 2021 to ₱82.78 million as at December 31, 2022. The change in the cash and cash equivalents of the Group was due to the increase in collections of revenue, contributions made by the stockholders and loan releases during the year.

Trade and Other Receivables

Trade and other receivables decreased by 20.99% as at year-end 2022 from ₱164.14 million as at year-end 2021 to ₱129.68 million in 2022. The decrease was mainly due to the collection of contract assets amounting to ₱41.68 million.

Due from Related Parties

Due from related parties increased by 215.5% as at year-end 2022, from ₱16.39 million as at year-end 2021 to ₱51.70 million as at year-end 2022. This is primarily due to the receivables from associates and companies under common control such as PMHC, BEHMC, TMEC, CAHI, PWC and other related parties.

Other Current Assets

Other current assets increased by 228.02% as at year-end 2022 from ₱36.00 million as at year-end 2021 to ₱118.10 million as at year-end 2022.

Investments in Associates

Investments in associates increased by 51% from ₱29.04 million as at December 31, 2021 to ₱43.98 million as at December 31, 2022 mainly due to additional advances for future subscription to BEHMC amounting to ₱16.79 million.

Property, Plant, and Equipment

Property, plant, and equipment increased by 14.62% from ₱2,652.71 million as at year-end 2021 to ₱3,040.46 million as at year-end 2022. The increase was due primarily to the construction in progress of the ongoing construction projects. During 2022, Tibag Hydropower Corporation recorded an additional CIP amounting to

₱492.78 million and Bicol Hydropower Corporation amounting to ₱224.32 million and the remaining was contributed by the projects under the pre-development stages.

Property, plant, and equipment - net accounted for 83.30% of the Group's total assets as at December 31, 2022.

The group is currently developing two capital intensive projects, namely the Pulanai and Piapi HEPPs, which will cost an estimated P3.84 billion and P1.15 billion, respectively. These projects aim to expand the company's operations by constructing hydropower plants that will generate more energy and the increase in the company's profitability. The Pulanai HEPP has an approved loan of P2.6 billion from LBP, while the Piapi MHP is in the process of applying for a loan from financial institutions and is awaiting financial close. A portion of the IPO proceeds will also be used to partially fund the two MHPs.

Advances to Contractors

This account decreased by 84.92% or by ₱213.32 million as at December 31, 2022. This account consists of advance payments to contractors for the construction and development of the Group's hydropower plants. These are applied against progress billing based on the percentage of completion.

The decrease advances to contractors in 2022 pertains to the application of advances to project development costs, derecognition from the deconsolidation of PMHC Group and reclassification of amounts to be refunded from the contractors to other current assets amounting to ₱85.93 million, ₱62.56 million and ₱65.94 million, respectively.

Trade and Other Payables

Trade and other payables accounted for 15.97% of total liabilities of the Group as at December 31, 2022. This account increased by 9.03% as at December 31, 2022 from ₱393.69 million as at December 31, 2021 to ₱429.25 million as at December 31, 2022 primarily due to the increase in statutory payables and retention payable amounting to ₱7.27 million and ₱38.52 million, respectively.

Loans Payable

The loans payable decreased by 5.75% from ₱1,530.67 million as at December 31, 2021 to ₱1,442.69 million as at December 31, 2022. The decrease is due to the deconsolidation of PMHC's loan and payments of principal amounts of the construction loans amounting to ₱285.00 million and ₱155.81 million, respectively. In addition, the Group made additional loan drawdowns aggregating ₱352.49 million in 2022. The installment payment of principal and interest for the loans are payable quarterly.

Income Tax Payable

The Group booked income tax payable for the net income from taxable operations in 2022. As such, as at December 31, 2022, the Group has an income tax payable amounting to ₱3.25 million.

Due to Related Parties

Due to related parties accounted for 28.24% of total liabilities of the Group as at December 31, 2022. Due to related parties increased by 87.50% from ₱404.84 million as at December 31, 2021 to ₱759.08 million as at December 31, 2022. The increase was due to the advances made by related parties under common control and of the stockholders which may be recognized as deposits for future stock subscription upon application for increase in capital stock, if any.

Retention Payable

Retention payable represents payment to contractors for their services that is withheld pending the projects' completion. These amounts relate to the construction of Tibag, Cabanglasan, Labayat and Bicol Hydropower projects.

Other Liabilities

The Group provides retirement benefits to qualified employees pursuant to Republic Act No. 7641, Retirement Pay Law. As at December 31, 2022, the estimated retirement liability amounted to Php4.1 million and will be

recognized in accordance with PAS 19R moving forward starting as at and for the year ending December 31, 2023.

Deposit for Stock Subscription

In 2022, REDC issued 300 million shares through the application of deposit for future stock subscription amounting to ₱424.90 million resulting to an increase in additional paid-in capital by ₱124.90 million.

Capital Stock

Capital stock increased by 200% from ₱150.00 million as at December 31, 2021 to ₱450.00 million as at December 31, 2022. This is due to the additional issuances 300 million shares to PEHC. Additional Paid-in Capital Stock. Additional paid-in capital increased by 62.45% from ₱200.00 million as at December 31, 2021 to ₱324.90 million as at December 31, 2022. The increase is a result of the application of DFSS against the issuance of ₱300 million shares.

Retained Earnings

As at December 31, 2022, the increase in net income resulted to the recognition of retained earnings amounting to ₱114.73 million from a deficit as at December 31, 2021 amounting to ₱36.41 million. This is majorly attributable to the share of the controlling interest in the net income amounting to ₱151.14 million.

Other Equity Reserve

The increase in this account is primarily attributable to the recognition of excess consideration over the carrying amount of the non-controlling interest of Bicol Hydropower Corporation amounting to P30.98 million.

Non-Controlling Interest

This account decreased by 43.11% from ₱196.41 million as at December 31, 2021 to ₱111.73 million as at December 31, 2022. The decrease was due to the assignment of investment in PMHC to CPC. Non-controlling interests represent the portion of net results and net assets not held by REDC as a parent company. They are presented in the consolidated statement of financial position within equity, apart from equity attributable to equity holders of the parent and are separately disclosed in the consolidated statement of comprehensive income.

Current Ratios

Collectively, the liquidity ratio of the REDC group is low due to the ongoing construction works for the Tibag MHP and the redevelopment costs for the Inarihan MHP. The costs incurred for these 2 projects have not yet been recovered as the Tibag MHP is not yet operational and the Inarihan MHP only started its operation mid-year 2022. Both projects need some time to generate its revenue stream. Similar to BHC, THC's ratios are expected to improve once it starts commercial operations. Loan financial ratio covenants for the PPDC, L1HC and MHCI projects with DBP and LBP are all complied with in fact the ratios are even much higher than the required minimum. Additionally, DBP has issued a certification on the deferment of the financial ratio covenants for the THC loan effective until the start of commercial operations. Liquidity risk arises from the Group's inability to raise sufficient funds at the least possible cost to meet its financial commitments which could then materially and adversely affect the Company's business, financial condition and results of operations. The Group's objectives in liquidity management are: (a) to ensure that adequate funds are available to meet expiring obligations; (b) to meet the commitments as they arise without incurring unnecessary costs; and (c) to be able to access additional funding when needed at the least possible cost.

The liquidity risk management policies/procedures of the Group are as follows: 1. Daily cash positions reports are prepared for each hydropower companies. 2. Monthly cash budget and power sales generation reports are being prepared. 3. Quarterly report on loan amortizations as well as the budget for operating expenses and capital expenditure are being prepared. 4. The Group monitored their cashflows to check if the sales generated are sufficient to cover the operating expenditure and loan amortizations. In case there is a need for additional funds after considering the loan releases, the Group will require additional capital infusion or working capital advances from its Parent Company.

In the event of a shortfall, the Company will source funds internally, through additional capital infusions or working capital advances from its parent company, or other short-term loans at lower interest rates from lending institutions.

**For the fiscal years ended December 31, 2021 vs. December 31, 2020**

**Material Changes to the Statement of Comprehensive Income for the period ended December 31, 2021 compared to the Statement of Comprehensive Income for the period ended December 31, 2020 (increase/ decrease of 5.00% or more)**

Revenues

The Group revenues increased by 71.43% from P136.08 million for the period ended December 31, 2020 to P233.28 million for the period ended December 31, 2021. The P97.20 million increase is contributed by the following subsidiaries:

| Breakdown of Net Increase in Revenues | | | | |
|---|---|---|---|---|
| Subsidiaries | 2020 | 2021 | Change (Amount) | % Change |
| PPDC | ₱78.65 | ₱104.17 | ₱25.52 | 32.45% |
| MHCI | 57.43 | 102.21 | 44.78 | 77.98% |
| L1HC | - | 26.90 | 26.90 | 100% |
| **TOTAL** | **₱136.08** | **₱233.28** | **₱97.20** | **71.43%** |

*Differences in decimal numbers are due to rounding off.*

In September 2021, L1HC started delivering energy to IEMOP contributing 27.68% to the total increase of revenue. The significant increase in PPDC and MHCI from 2020 to 2021 is due to the increase in electricity generated in 2021.

Cost of Services

The Group's cost of services increased by 56.03% from ₱42.14 million during 2020 to ₱65.74 million 2021.

The Group's depreciation expense accounted for 60.31%, while other costs such as salaries and wages, repairs and maintenance and communication and utilities related to the operations of the Group accounted for 14.03%, 11.70% and 4.96%, respectively.

Gross Income and Gross Income Margin

The Group earned gross profits of ₱167.54 million during the year, equivalent to a gross profit margin of 71.82%.

Operating Expenses

In 2021, Operating Expenses increased by 51.57% from ₱25.41 million in 2020 to ₱38.51 million in 2021. This mostly consisted of salaries and wages that accounted for 21.82% of operating expenses, depreciation (5.95%), professional fees (3.34%), taxes and licenses (13.43%) and all other expenses such as representation and entertainment, insurance, transportation and meals, communication and utilities, repairs and maintenance and fuel, oil and lubricants.

Equity Share in Net Loss of Associates

The Group recorded equity share in net loss of associates amounting to ₱10.18 million in 2021 and ₱1.23 million in 2020.

This represents the Group's share in the loss from BEHMC amounting to ₱5.86 million and share in loss from TNI amounting to ₱4.32 million totaling P10.18 million. REDC acquired 30.00% of BEHMC in 2014 and in 2019 PPDC acquired 30% of TNI.

Interest Expense

This account amounted to ₱40.28 million in 2020 and increased to ₱46.63 million or by 15.76%. The Group entered into various loan contracts with local creditor banks to finance the construction and rehabilitation of various projects, with interest rates ranging from 5.5% to 11% per annum, and with terms ranging from 3 to 15 years.

Subsidiaries which entered to loan contract are Labayat 1 (15-year loan), PPDC (15-year loan), THC (15-year loan) and MHCI (15-year loan).

Interest Income

Interest income decreased by 26.19% from ₱184,298 in 2020 to ₱136,024 in 2021. Interest income is earned from cash in banks and short-term placements.

Income before Income Tax from Continuing Operations

This account increased by 313.75% in 2021, from ₱19.19 million in 2020 to ₱79.42 million in 2021. This is due to the significant increase in gross income and other income during the year.

Income Tax Benefit

In 2021, the Group recorded a total of ₱71,436 income tax benefit for the year. This amount decreased compared to the previous year figure which amounted to ₱395,410.

Net Income

The Group concluded 2021 with a net income of ₱55.28 million, representing a 206.48% increase from ₱18.04 million in 2020. This increase was due to the increased revenue of the operating projects and the minimal increase in the year's operating expenses.

**Material Changes to the Statement of Financial Position as at December 31, 2021 compared to the Statement of Financial Position as at December 31, 2020 (increase/ decrease of 5.00% or more)**

Cash and Cash Equivalents

Cash and cash equivalents decreased by 42.75% as at December 31, 2021 from ₱61.12 million as at year-end 2020 to ₱34.99 million. The decrease was mainly attributable to the decrease in cash in banks amounting to ₱26.22 million.

Trade and Other Receivables

The Group has trade and other receivables as at December 31, 2020 amounting to ₱91.36 million and increased to ₱164.14 million or by 79.66%. The significant change is attributable to the increase in trade receivable from sale of electricity in the WESM under FIT mechanism amounting to ₱59.84 million.

Due from Related Parties

Due from related parties increased by 247.85% as at December 31, 2020, from ₱4.71 million as at year-end 2020 to ₱16.39 million as December 31, 2021. This is primarily due to the increase in receivable from entities under common control. These advances are non-interest bearing, unsecured, and payable in cash upon demand. Due from related parties accounted for 0.49% of the Group's total assets as at December 31, 2021.

Other Current Assets

The Group recognized other current assets amounting to ₱36.00 million and ₱33.32 million in 2021 and 2020, respectively. This consists primarily of Input VAT, advances to contractors and suppliers, prepayments and others, which stood at ₱29.83 million, ₱1.85 million, and ₱1.15 million, ₱2.90 million, as at December 31, 2021, respectively.

Investments in Associates

Investment in associates decreased by 25.95% as at December 31, 2021, from ₱39.22 million at year-end 2020 to ₱29.04 million. The decrease amounting to ₱10.18 million is primarily due to the recognition of equity share in net losses of the associates.

Property, Plant, and Equipment

Property, plant, and equipment increased by 22.58% from ₱2,164.04 million as at year-end 2020 to ₱2,652.71 million as at year-end 2021.

The additions during the year had a total of ₱560.54 million, accounted from construction-in-progress (₱558.84 million), hydropower plants (₱0.86 million), land and land improvements (₱0.51 million), furniture, fixtures and office equipment (₱0.26 million), and transportation equipment (₱0.07 million).

Depreciation expenses amounted to a total of ₱41.98 million, which are from hydropower plants (₱40.77 million), transportation equipment (₱0.34 million), furniture, fixtures and office equipment (₱0.45 million) and buildings (₱0.42 million).

Other movements in the PPE of the Group were disposal, acquisitions through business combinations and reclassifications to and from the account. Property, plant, and equipment accounted for 79.66% of the Group's total assets as at December 31, 2021.

Advances to Contractors-net of current portion

Advances to Contractors amounted to ₱251.21 million and ₱131.18 million in 2021 and 2020, respectively. This account consists of advance payments to contractors for the construction and development of the Group's hydropower plants. These are recouped upon every progress billing payment depending on the percentage of completion. Thus, the decrease in the account is due to the additional work accomplished during the year. The increase in advances to contractors from 2020 to 2021 is mainly due to the ongoing construction of 5.0 MW Tibag MHP Project in Tibag River facility in Quezon province.

Goodwill

This account increased by ₱35.30 million which arose from the acquisition of BHC. The balance of this account as at December 31, 2021 is ₱135.95 million.

Trade and Other Payables

Trade and other payables accounted for 16.38% of total liabilities of the Group in 2021. This account increased by 29.89% by year-end 2021 primarily due to the ₱57.46 million increase in trade payables, ₱34.77 million increase in retention payable, ₱7.26 million in statutory payables and ₱3.39 million in accrued expenses.

Due to Related Parties

Due to related parties increased by 107.06% from ₱195.52 million as at December 31, 2020 to ₱404.84 million as at December 31, 2021. The increase was primarily due to the increase in advances made by the stockholders amounting to ₱41.13 million and by the ultimate parent amounting to ₱282.81 million. Due to related parties accounted for 16.84% of the Group's total liabilities as at year-end 2021.

Loans Payable

The loans payable increased by 28.51% from ₱1,191.09 million as at December 31, 2020 to ₱1,530.67 million as at December 31, 2021. The increase is mainly attributable to the loan availments of THC during the year amounting to ₱525.32 million and payments during the year aggregating ₱184.15 million.

Capital Stock

The Group's capital stock remains at ₱150.00 million as at December 31, 2021.

Additional Paid-in Capital Stock

Additional paid-in capital of the Group remains at ₱200.00 million as at December 31, 2021.

Deposit for Stock Subscription

This account remains at ₱424.90 million as at December 31, 2021.

Deficit

As of December 31, 2021, the Group's deficit decreased from ₱103.70 million as at December 31, 2020 to ₱36.41 million. This is attributable to the net income during the year net of the share of the noncontrolling interests.

Non-Controlling Interest

This account increased by 5.50% from ₱207.83 million as at December 31, 2020 to ₱196.41 million as at December 31, 2021. The movement represents the net increase and decrease in the amount of the stakes of non-controlling shareholders in the subsidiaries not wholly-owned by the Group.

Non-controlling interests represent the portion of net results and net assets not held by the REDC as a parent company. They are presented in the consolidated statement of financial position within equity, apart from equity attributable to equity holders of the parent and are separately disclosed in the consolidated statement of comprehensive income.

**(B) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

Reyes Tacandong & Co. audited the Company's statement of financial position as of 31 December 2023, and the statement of comprehensive income, statement of changes in stockholders' equity and statement of cash flows for the year ended 31 December 2023 and a summary of significant accounting policies and other explanatory notes. Their responsibility is to express an opinion on these financial statements based on their audit. The audits were conducted in accordance with Philippine Standards on Auditing. The partner who handled the Company's external audit was Mr. Arthur Vinson U. Ong.

The Company was incorporated on May 29, 2013. Since the appointment of Reyes Tacandong & Co., there has been no change in auditor and there has been no disagreement on accounting and financial disclosures.

Details on the selected/recommended principal accountant and partner-in-charge for the ensuing year are as follows:

**ARTHUR VINSON U. ONG**
*Partner*

In compliance with SRC Rule 68 3 (b) (iv), the assignment of Reyes, Tacandong & Co.'s managing partner shall not exceed five (5) years.

The Company will recommend the accounting firm of Reyes Tacandong & Co. for reappointment at the scheduled annual stockholders' meeting.

## PART IV - MANAGEMENT AND CERTAIN SECURITY HOLDERS

Please refer to the portion of this Information Statement on "Directors and Executive Officers".

## PART V - CORPORATE GOVERNANCE

In compliance with the initiative of the Securities and Exchange Commission ("SEC") under Memorandum Circular No. 19, Series of 2016, the Company's Revised Manual on Corporate Governance (the "Manual") was approved by the Board of Directors on 24 October 2022. The Manual is a supplement to the Company's Amended By-Laws.

The Company measures its compliance with the Manual through evaluations conducted by the Board of Directors based on reports and recommendations made by the Compliance Officer in relation to any compliance matters. The accomplishment of the Integrated Annual Corporate Governance of the Corporation which was submitted to the SEC on 30 May 2024 is also a reflection of the Company's compliance with recommended corporate governance practice.

In order to fully comply with the adopted leading practices on good corporate governance, the Company likewise established policies to uphold the integrity and transparency in the management of its business and affairs.

There were no reported deviations from/violations of the Manual in 2023. Nonetheless, the Company plans to improve its corporate governance by ensuring that all relevant laws, rules and regulations, and governance issuances of regulatory agencies are complied with, and by conducting information campaigns, orientation programs or workshops in relation thereto to its directors, officers and employees.

Considering the Company was only listed in 2023, the Company is still in the process of evaluating its adoption of recommended good governance practices which will be taken up with Corporate Governance Committee.

Other portions of this Corporate Governance Section have been deleted pursuant to SEC Memorandum Circular No. 5, Series of 2013. The Integrated Annual Corporate Governance of the Corporation was submitted to the SEC and PSE on 30 May 2024.

For the meetings of the Board in 2023, the following directors were present:

| DIRECTOR | JAN. 07 | FEB. 03 | MAR. 06 | MAY 04 | MAY 15 | MAY 15 | JUN. 13 | JUN. 23 | JUL. 10 | JUL. 23 | AUG. 07 | SEP. 15 | OCT. 06 | OCT .26 | DEC .13 | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Renato Z. Locsin | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 100 |
| 2. Eric Peter Y. Roxas | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 100 |
| 3. Suzanne S. Canete | - | - | - | - | - | - | - | - | - | - | ✓ | ✓ | ✓ | ✓ | - | 27 |
| 4. Ryan Wesley T. Yapkianwee | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 100 |
| 5. Charlie T. Sy | - | - | - | - | - | - | - | - | - | - | ✓ | ✓ | ✓ | ✓ | - | 27 |
| 6. Antonio Felix C. Carag | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - | 92 |
| 7. Edmond P. Maceda | | | | - | - | - | - | - | - | - | ✓ | ✓ | ✓ | ✓ | ✓ | 42 |
| 8. Nicholas Anthony N. Te | | | | | | | | | | | | | | | ✓ | 100 |

*Note: Prior to the approval of the SEC of the Amendment of Articles of Incorporation (AOI) of the Company on 22 March 2023, the number of directors authorized per AOI was only five (5). Thereafter, the number of directors indicated in the AOI was increased to eight (8).*

The Board was not able to conduct a self-assessment for the year 2023.

## PART VI - EXHIBITS AND SCHEDULES

**Exhibits**

Please refer to the attached audited consolidated financial statements as of and for the year ended 31 December 2023, which have been prepared in accordance with Philippine Financial Reporting Standards, as audited by Reyes, Tacandong & Co. Please see also the unaudited interim financial statements for period ended 31 March 2024.

**UNDERTAKING TO PROVIDE COPIES OF REPORTS**

UPON WRITTEN REQUEST OF ANY SHAREHOLDER OF RECORD ENTITLED TO NOTICE OF AND VOTE AT THE MEETING, THE COMPANY SHALL FURNISH SUCH SHAREHOLDER WITH A COPY OF THE COMPANY'S INFORMATION STATEMENT (SEC FORM 20-IS), ANNUAL REPORT FOR 2021 (SEC FORM 17-A) FREE OF CHARGE. ANY SUCH WRITTEN REQUEST SHALL BE ADDRESSED TO**:**

**ANN MARGARET K. LORENZO**
**THE CORPORATE SECRETARY**
REPOWER ENERGY DEVELOPMENT CORPORATION
3RD FLOOR JTKC CENTER
2155 DON CHINO ROCES AVENUE
MAKATI CITY

# COVER SHEET

| C | S | 2 | 0 | 1 | 3 | 1 | 0 | 1 | 2 | 4 |
|---|---|---|---|---|---|---|---|---|---|---|

S.E.C. Registration Number

| R | E | P | O | W | E | R |  | E | N | E | R | G | Y |  | D | E | V | E | L | O | P | M | E | N | T |  | C | O | R |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| P | O | R | A | T | I | O | N |  | A | N | D |  | S | U | B | S | I | D | I | A | R | I | E | S |  |  |  |  |  |

(Company's Full Name)

| 3 | R | D |  | F | L | O | O | R |  | J | T | K | C |  | C | E | N | T | E | R | , |  | 2 | 1 | 5 | 5 |  | C | H |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| I | N | O |  | R | O | C | E | S |  | A | V | E | . | , |  | M | A | K | A | T | I |  | C | I | T | Y |  |  |  |

(Business address: No. Street City / Town / Province)

| ERIC PETER Y. ROXAS |
|---|

Contact Person

| (632) 8818 8892 |
|---|

Company Telephone Number

| 1 | 2 |
|---|---|

Month

| 3 | 1 |
|---|---|

Day

Fiscal Year

| 1 | 7 | - | A |  |
|---|---|---|---|---|

Form Type

| June 30 |
|---|

Month Day

Annual Meeting

| N/A |
|---|

Secondary License Type, If Applicable

| C | F | D |  |
|---|---|---|---|

Dept. Requiring this Doc.

| - |
|---|

Amended Articles Number/Section

Total Amount of Borrowings

| |
|---|

Total No. of Stockholders

| - |
|---|

Domestic

| - |
|---|

Foreign

---

To be accomplished by SEC Personnel Concerned

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|

LCU

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CASHIER

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-A**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended December 31, 2023

2. SEC Identification No. CS201310124

3. BIR Tax Identification No. 008-541-419-000

4. Exact name of issuer as specified in its charter Repower Energy Development Corporation

5. Province, country or other jurisdiction of incorporation or organization Philippines

6. Industry Classification Code [ ] (SEC Use Only)

7. Address of principal office 3rd Floor JTKC Center, 2155 Chino Roces Ave., Makati City
   Postal Code 1230

8. Issuer's telephone number, including area code (02) 8818-8892

9. Former name or former address, if changed since last report N/A

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding |
|---|---|
| COMMON | 650,000,002 |

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [✓] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
    Philippine Stock Exchange - ALL Outstanding Common Shares

12. Are any or all of the securities listed on a Stock Exchange?

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports

    Yes [✓] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.

    Yes [✓] No [ ]

## PART I - FINANCIAL INFORMATION

Section 1. Financial Statements
- ***See Attached.***

Section 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- ***See Attached.***

## PART II - OTHER INFORMATION

There are no other information for the period not previously reported in SEC Form 17-C.

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

| | |
|---|---|
| Issuer | REPOWER ENERGY DEVELOPMENT CORPORATION |
| Signature and Title | ERIC PETER Y. ROXAS, *President* |
| Date | |
| Signature and Title | ROLANDO P. DOMINGO, *Chief Financial Officer* |
| Date | |

## Section 1.

# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS**
**AS AT AND FOR THE YEAR ENDED**
**DECEMBER 31, 2023 AND DECEMBER 31, 2022**

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
**DECEMBER 31, 2023 AND 2022**

| | *Note* | **December 31, 2023** | December 31, 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash | *6* | **₱44,888,443** | ₱82,663,712 |
| Funds held in escrow | | **526,537,923** | – |
| Trade and other receivables | *7* | **132,814,321** | 129,679,951 |
| Due from related parties | *18* | **132,849,778** | 51,700,660 |
| Other current assets | *8* | **139,741,747** | 118,217,590 |
| **Total Current Assets** | | **976,832,212** | 382,261,913 |
| **Noncurrent Assets** | | | |
| Investments in associates | *9* | **40,365,139** | 43,977,533 |
| Property, plant and equipment | *10* | **3,976,619,647** | 3,040,461,429 |
| Advances to contractors and suppliers - net of current portion | *11* | **267,167,509** | 37,884,825 |
| Goodwill | *4* | **135,950,686** | 135,950,686 |
| Other noncurrent assets | *8* | **17,330,755** | 9,321,668 |
| **Total Noncurrent Assets** | | **4,437,433,736** | 3,267,596,141 |
| | | **₱5,414,265,948** | ₱3,649,858,054 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | *12* | **₱620,533,178** | ₱429,253,287 |
| Due to related parties | *18* | **778,434,703** | 759,080,119 |
| Current portion of loans payable | *13* | **114,880,390** | 122,956,289 |
| Income tax payable | | **–** | 3,246,880 |
| **Total Current Liabilities** | | **1,513,848,271** | 1,314,536,575 |
| **Noncurrent Liabilities** | | | |
| Loans payable - net of current portion | *13* | **1,668,725,400** | 1,319,729,600 |
| Retention payable - net of current portion | *12* | **80,466,710** | 49,914,209 |
| Retirement liability | | **5,088,972** | – |
| Contract liability | | **26,113,488** | – |
| Net deferred tax liabilities | *20* | **2,460,452** | 4,117,059 |
| **Total Noncurrent Liabilities** | | **1,782,855,022** | 1,373,760,868 |
| **Total Liabilities** | | **3,296,703,293** | 2,688,297,443 |
| **Equity** | | | |
| Capital stock | 14 | **650,000,002** | 450,000,000 |
| Additional paid-in capital | | **1,095,920,304** | 324,901,466 |
| Retained earnings | | **278,571,843** | 114,727,620 |
| Other equity reserve | 4 | **(39,802,416)** | (39,802,416) |
| Other comprehensive income | | **579,425** | – |
| | | **1,985,269,158** | 849,826,670 |
| Non-controlling interest | 5 | **132,293,497** | 111,733,941 |
| **Total Equity** | | **2,117,562,655** | 961,560,611 |
| | | **₱5,414,265,948** | ₱3,649,858,054 |

*See accompanying Notes to the Consolidated Financial Statements.*

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
**FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022**

| | Note | **2023** | 2022 |
|---|---|---|---|
| **REVENUE** | | | |
| Sale of electricity | 21 | **₱467,810,661** | ₱382,042,042 |
| Feed-in-tariff (FIT) rate differential | | **(11,171,852)** | **–** |
| | | **456,638,809** | 382,042,042 |
| **COST OF SALE OF ELECTRICITY** | 15 | **131,829,830** | 104,870,426 |
| **GROSS INCOME** | | **324,808,979** | 277,171,616 |
| **OPERATING EXPENSES** | 16 | **(93,094,648)** | (53,426,762) |
| **INTEREST EXPENSE** | 13 | **(70,683,528)** | (64,810,725) |
| **EQUITY SHARE IN NET LOSS OF ASSOCIATES** | | **(3,612,394)** | (1,851,794) |
| **OTHER INCOME** - Net | 17 | **12,849,902** | 2,728,941 |
| **INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS** | | **170,268,311** | 159,811,276 |
| **INCOME TAX BENEFIT** | 20 | | |
| Current | | **–** | 3,246,880 |
| Deferred | | **(1,917,018)** | 504,650 |
| | | **(1,917,018)** | 3,751,530 |
| **NET INCOME FROM CONTINUING OPERATIONS** | | **172,185,329** | 156,059,746 |
| **NET INCOME FROM DISCONTINUED OPERATIONS** | 19 | **–** | 11,939,731 |
| **NET INCOME** | | **172,185,329** | 167,999,477 |
| **OTHER COMPREHENSIVE INCOME** | | **600,997** | – |
| **TOTAL COMPREHENSIVE INCOME** | | **₱172,786,326** | ₱167,999,477 |
| **NET INCOME (LOSS) ATTRIBUTABLE TO:** | | | |
| Equity holders of the Parent Company | | **₱165,119,233** | ₱151,140,344 |
| Non-controlling interest | 5 | **7,066,106** | 16,859,133 |
| | | **₱172,185,329** | ₱167,999,477 |
| **NET INCOME/ TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:** | | | |
| Equity holders of the Parent Company | | **₱165,698,648** | ₱151,140,344 |
| Non-controlling interest | 5 | **7,087,678** | 16,859,133 |
| | | **₱172,786,326** | ₱167,999,477 |
| **BASIC/DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS** | 24 | **₱0.32** | ₱0.30 |
| **BASIC/DILUTED EARNINGS PER SHARE** | 24 | **₱0.32** | ₱0.36 |

*See accompanying Notes to the Consolidated Financial Statements.*

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
**FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022**

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| **CAPITAL STOCK** - ₱1 par value | *14* | | |
| Balance at beginning of period | | **₱ 450,000,000** | ₱150,000,000 |
| Issuances of shares | | **200,000,002** | 300,000,000 |
| Balance at end of period | | **650,000,002** | 450,000,000 |
| **ADDITIONAL PAID-IN CAPITAL** | | | |
| Balance at beginning of period | | **324,901,466** | 200,000,000 |
| Issuances of shares - net of selling expenses | | **800,000,000** | 124,901,466 |
| Issuance costs | | **(28,981,162)** | – |
| Balance at end of period | | **1,095,920,304** | 324,901,466 |
| **RETAINED EARNINGS** | | | |
| Balance at beginning of period | | **114,727,620** | (36,412,724) |
| Net income attributable to equity holders of the Parent Company | | **165,119,223** | 151,140,344 |
| Stock issuance costs | | **(1,275,000)** | – |
| Balance at end of period | | **278,571,843** | 114,727,620 |
| **DEPOSIT FOR FUTURE STOCK SUBSCRIPTION** | *18* | | |
| Balance at beginning of period | | **–** | 424,901,466 |
| Application of deposit | | **–** | (424,901,466) |
| Balance at end of period | | **–** | – |
| **OTHER EQUITY RESERVE** | *4* | | |
| Balance at beginning of period | | **(39,802,416)** | (8,820,817) |
| Additions during the year | | **–** | (30,981,599) |
| Balance at end of year | | **(39,802,416)** | (39,802,416) |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Gain and balance at end of year from Remeasurement of retirement liability | | **579,425** | **–** |
| **EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY** | | **1,985,269,158** | 849,826,670 |
| **NON-CONTROLLING INTERESTS** | *5* | | |
| Balance at beginning of period | | **111,733,941** | 196,406,485 |
| Acquisition of remaining NCI of a subsidiary | | **22,471,878** | (97,403) |
| Share in dividends declared by a subsidiary | | **(9,000,000)** | **–** |
| Net income (loss) | | **7,066,106** | 16,859,133 |
| Share in other comprehensive income | | **21,572** | **–** |
| Deconsolidation of Pure Meridian Holdings Corporations (PMHC) and its subsidiaries | | **–** | (101,434,274) |
| Balance at end of period | | **132,293,497** | 111,733,941 |
| | | **₱2,117,562,655** | ₱961,560,611 |

*See accompanying Notes to Consolidated Financial Statements.*

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

# CONSOLIDATED STATEMENTS OF CASH FLOWS
**FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022**

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax from continuing operations | | **₱170,268,311** | ₱159,811,276 |
| Income (loss) before income tax from discontinued operations | | **–** | 11,939,731 |
| Income (loss) before income tax | | **170,268,311** | 171,751,007 |
| Adjustments for: | | | |
| Depreciation and amortization | *10* | **82,440,907** | 73,428,549 |
| Interest expense | *13* | **70,683,528** | 86,689,447 |
| Gain on insurance proceeds | | **(4,739,966)** | **–** |
| Retirement benefits | | **5,689,969** | **–** |
| Equity share in net loss of associates | | **3,612,394** | 1,851,794 |
| Provision for impairment of input VAT | | **1,241,757** | **–** |
| Provision for impairment on input VAT | | **1,709,636** | 1,518,416 |
| Interest income | *6* | **(178,093)** | (37,522) |
| Gain from deconsolidation of PMHC And subsidiaries | *19* | **–** | (34,276,628) |
| Gain on disposal of an associate | *9* | **–** | (4,218,750) |
| Unrealized foreign exchange loss (gain) | | **–** | 1,580 |
| Operating income before working capital changes | | **330,728,413** | 296,707,893 |
| Decrease (increase) in: | | | |
| Funds held in escrow | | **(526,537,923)** | **–** |
| Trade and other receivables | | **(3,134,370)** | 34,393,659 |
| Other assets | | **1,470,233** | (19,570,496) |
| Increase in trade and other payables | | **188,368,105** | 84,028,477 |
| Net cash generated from (used in) operations | | **(9,105,542)** | 395,559,533 |
| Gain on insurance proceeds | | **4,739,996** | **–** |
| Interest received | | **178,093** | 37,522 |
| Net cash provided by (used in) operating activities | | **(4,187,453)** | 395,597,055 |
| **CASH FLOW FROM AN INVESTING ACTIVITY** | | | |
| Acquisitions of: | | | |
| Property, plant and equipment | *10* | **(910,331,191)** | (714,701,470) |
| Noncontrolling interest | | **–** | (18,134,558) |
| Investment in an associate | | **–** | (16,791,200) |
| Subsidiary | | **–** | **–** |
| Payments for: | | | |
| Advances to contractors | | **(313,634,956)** | (8,000,000) |
| Other noncurrent assets | | **(8,009,087)** | **–** |
| Proceeds from disposal of: | | | |
| Subsidiaries, net of cash of disposed subsidiary | | **–** | 37,701,059 |
| Property, plant and equipment | | **–** | 448,986 |
| Other noncurrent assets | | **–** | 243,037 |
| Advances made to related parties | | **(81,204,980)** | (2,862,064) |
| Collection of due from related parties | | **55,862** | 4,690,136 |
| Net cash used in investing activities | | **(1,313,124,352)** | (717,406,074) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from: | *14* | | |
| Issuance of capital stocks | | **1,000,000,002** | **–** |
| Availment of loans payable | | **466,000,000** | 352,493,751 |
| Advances received from related parties | | **347,863,425** | 201,869,783 |
| Payments of: | | | |
| Due to related parties | | **(288,281,458)** | (24,757,014) |
| Loans payable | | **(122,956,290)** | (55,814,440) |
| Interest payable | | **(88,382,447)** | (102,336,482) |
| Stock issuance costs | | **(28,981,162)** | **–** |
| Debt issue costs | *13* | **(5,725,535)** | (1,969,095) |
| Net cash provided by financing activities | | **1,279,536,535** | 369,486,503 |

| | | |
|---|---|---|
| **EFFECTS OF FOREIGN EXCHANGE RATE CHANGES IN CASH** | **–** | (1,580) |
| **NET INCREASE IN CASH** | **(37,775,269)** | 47,675,904 |
| **CASH AT BEGINNING OF PERIOD** | **82,663,712** | 34,987,808 |
| **CASH AT END OF PERIOD** | **₱44,888,443** | ₱82,663,712 |
| | | |
| **NONCASH FINANCIAL INFORMATION** | | |
| Application of advances to contractors | **₱58,406,489** | ₱94,601,209 |
| Issuance of shares through application of Deposit for future stock subscription (DFSS) | **–** | 424,901,466 |
| Transfer of loan to a related party | **–** | 100,000,000 |
| Application of DFSS to investment in subsidiary | **–** | 12,944,444 |
| Assignment of investment in associate | **–** | 4,218,750 |

*See accompanying Notes to Consolidated Financial Statements.*

1. **Reporting Entity**

**Repower Energy Development Corporation (REDC or the Parent Company)**
REDC was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on May 29, 2013. REDC was organized primarily to develop and generate renewable energy resources.

REDC is a wholly-owned subsidiary of Pure Energy Holdings Corporation (PEHC). PEHC is an investment holding company which engages primarily in renewable energy generation and water system management and distribution. PEHC is a 76%-owned subsidiary of DYT Equities Corporation (the Ultimate Parent Company). All the foregoing entities are incorporated in the Philippines.

On October 24, 2022, the Board of Directors (BOD) and stockholders approved the Parent Company's application for listing of a portion of its common shares in the Philippine Stock Exchange (PSE). On July 24, 2023, a total of 200,000,000 common shares of REDC were listed in the PSE at an offer price of up to ₱5.00 per share.

The Parent Company's principal office address is located at 3rd Floor JTKC Center, 2155 Chino Roces Ave., Makati City.

**Subsidiaries**
The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries (collectively referred to as "the Group"), which are all engaged in the renewable energy generation and distribution:

| | Effective Percentage of Ownership | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| Name of Subsidiaries | **Direct** | **Indirect** | Direct | Indirect |
| Philippine Power and Development Company (PPDC) | **99%** | **–** | 99% | – |
| Majayjay Hydropower Company, Inc. (MHCI) | **99%** | **–** | 99% | – |
| Labayat 1 Hydropower Corporation (L1HC) | **82%** | **–** | 60% | – |
| Tibag Hydropower Corporation (THC) | **100%** | **–** | 100% | – |
| Cabanglasan Hydropower Corporation (CHC) | **100%** | **–** | 100% | – |
| Bicol Hydropower Corporation (BHC) | **100%** | **–** | 100% | – |
| Piapi Hydropower Corporation (PHC) | **60%** | **–** | 60% | – |
| Baguio Asin Hydropower Corporation | **100%** | **–** | **–** | **–** |
| Pure Meridian Hydropower Corporation (PMHC)* and Subsidiaries: | **–** | **–** | – | – |
| PMHC Lalawinan Inc. (PLI)** | **–** | **–** | – | – |
| PMHC Pulanai Inc. (PPI)** | **–** | **–** | – | – |
| Maramag Hydropower Corporation (MHC) | **–** | **–** | – | – |

**Indirect ownership of 50% plus one (1) share*
***Wholly-owned subsidiary of PMHC*

In 2021, the Parent Company sold its investment in MHC shares to a third party. MHC's operations were not considered a separate major line of business or geographical area of operations. Accordingly, the disposal of MHC was not presented as a discontinued operation.

On November 4, 2022, the Parent Company assigned its investment in PMHC to a related party for ₱40,750,000. PMHC's operations were considered a separate major line of business or geographical area of operations. Accordingly, the disposal of PMHC was presented as a discontinued operation in the said period.

As at September 31, 2023 and December 31, 2022, the operating subsidiaries of the Parent Company are PPDC, MHCI, L1HC and BHC. As at September 31, 2023 and December 31, 2022, THC, CHC and PHC are at its pre-operating stages.

**Associates**
The Group has the following associates:

| Name of Associates | Nature of Business | Principal Place of Business | Effective Percentage of Ownership | |
|---|---|---|---|---|
| | | | **2023** | 2022 |
| Blue Energy Holdings and Management Corporation (BEHMC) | Holding and Investments | Unit 308 Greenhills Mansion 37 Annapolis St., Greenhills San Juan City | **30%** | 30% |
| BEHMC Lower Labayat Hydropower Corp. (BLLHC)* | Power Generation Through Renewable Energy | Unit 308 Greenhills Mansion 37 Annapolis St., Greenhills San Juan City | **30%** | 30% |
| BEHMC Upper Tignoan Hydropower Corp. (BUTHC)* | Power Generation Through Renewable Energy | Unit 308 Greenhills Mansion 37 Annapolis St., Greenhills San Juan City | **30%** | 30% |
| Tubig Nabua Inc. (TNI)* | Water Supply Management and Distributions | Nabua Water District, Lourdes Hospital Road, San Francisco (POB.) Nabua, Camarines Sur | **–** | – |

**100%-owned by BEHMC*
***30%-owned by PPDC*

In 2022, the Group assigned its 30% ownership interest in TNI to a related party.

## 2. Summary of Significant Accounting Policies

**Basis of Preparation**
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

The Group's consolidated financial statements were prepared in compliance with the Revised Securities Regulation Code (SRC) Rule 68, in relation to the Group's planned application for listing (see Note 1).

The accounting policies adopted were consistently applied in the preparation of the consolidated financial statements for the periods presented.

**Measurement Bases**
The consolidated financial statements are presented in Philippine Peso, the Group's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset or consideration paid in exchange for the incurrence of a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date. The Group uses market observable data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 − Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 23 to the consolidated financial statements.

**Adoption of Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS:

- Amendments to PFRS 3, *Business Combinations - Reference to Conceptual Framework* – The amendments replaced the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement ensures that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarify that an acquirer shall not recognize contingent assets acquired in a business combination.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The 'costs of fulfilling' a contract comprise the 'costs that relate directly to the contract'. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated.

- Annual Improvements to PFRS 2018 to 2020 Cycle -

    - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.

    - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removed from Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

The adoption of the amended PFRS did not materially affect the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

**Amended PFRS Issued But Not Yet Effective**

Relevant amended PFRS, which are not yet effective as at December 31, 2022 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material

information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Group shall also apply Amendments to PAS 1 - *Noncurrent Liabilities with Covenants* for that period.

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Group shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

- Amendments to PFRS 16, *Leases - Lease Liability in a Sale and Leaseback* – The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements in PFRS 15, Revenue from Contracts with Customers, to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated. The amendments must be applied retrospectively. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2025 -

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

**Basis of Consolidation**

*Subsidiaries.* Subsidiaries are entities controlled by the Parent Company. The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. The Parent Company has control when it is exposed, or has a right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the controlling equity ownership (i.e., acquisition of non-controlling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; or
- The Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. They are presented in the consolidated statements of financial position within equity, apart from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statements of comprehensive income.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the former subsidiary from the consolidated statements of financial position;
- Recognizes any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRS. That retained interest is remeasured, and the remeasured value is regarded as the fair value on initial recognition of a financial asset in accordance with PFRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture; and
- Recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

*Business Combinations*. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are recognized as expense.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9 is measured at fair value with changes in fair value recognized either in profit or loss or other comprehensive income. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

*Goodwill*. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**Classification of Assets and Liabilities between Current and Noncurrent**

The Group presents current and noncurrent assets, and current and noncurrent liabilities, as separate disclosure in the consolidated notes to financial statements.

*Current Assets.* The Group classifies an asset as current when:

a. it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
b. it holds the asset primarily for the purpose of trading;
c. it expects to realize the asset within twelve months after the reporting period, or
d. the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Otherwise, the Group will classify all other assets as noncurrent.

*Current Liabilities.* The Group classifies a liability as current when:

a. it expects to settle the liability in its normal operating cycle;
b. it holds the liability primarily for the purpose of trading;
c. the liability is due to be settled within twelve months after the reporting period, or
d. it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise, the Group will classify all other liabilities as noncurrent.

**Financial Assets and Liabilities**

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable is done using trade date accounting.

*Initial Recognition.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

*"Day 1" Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transactions price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

*Classification of Financial Instruments.* The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and, (c) financial assets at fair value through other comprehensive income (FVOCI).

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model.

As at December 31, 2022 and 2021, the Group has no financial assets and liabilities at FVPL and financial assets at FVOCI.

*Financial Assets at Amortized Cost.* A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Included in this category are cash, trade and other receivables (excluding receivables from employees), due from related parties, and refundable deposit, restricted cash and receivables from contractors (presented under "Other assets" account).

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

This category includes trade and other payables (excluding statutory payables), loans payable, due to related parties and retention payable.

**Reclassification**
The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss. Meanwhile, for a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

**Impairment of Financial Assets at Amortized Cost**
The Group records an allowance for expected credit loss (ECL) on financial assets at amortized cost based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

The Group measures loss allowances at an amount equivalent to the 12-month ECL for financial assets on which credit risk has not increased significantly since initial recognition or that are determined to have low credit risk at reporting date. Otherwise, impairment loss will be based on lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at reporting date with the risk of a default occurring on the financial instrument on the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort. In addition, the Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at reversal date.

*Trade Receivables.* The Group only has few customers which can be graded individually. The ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

*Other Financial Assets Measured at Amortized Cost.* For these financial assets, the Group applies the general approach in determining ECL. The Group recognizes an allowance based on either the 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

A financial asset is written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

**Derecognition of Financial Assets and Liabilities**

*Financial Assets.* A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Financial Liabilities*. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

**Offsetting Financial Assets and Liabilities**
Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

**Classification of Financial Instrument between Liability and Equity**
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

**Other Assets**
Other assets include input value-added tax (VAT), input VAT for refund, advances to employees, creditable withholding tax (CWT), prepayments, deferred input VAT, advances to contractors and suppliers, and refundable deposit (a financial asset).

*Input VAT.* The net amount of VAT recoverable from the tax authority is included as part of "Other current assets" account in the consolidated statements of financial position.

Revenues, expenses and assets are recognized net of the amount of VAT except where VAT incurred on a purchase of assets or services is not recoverable from the tax authority.

*Input VAT Refund.* Input VAT refund pertains to previously declared input VAT incurred from purchase of assets or services that are claimed for refund from the tax authority.

*Advances to Employees.* Advances to employees pertain to cash advanced to be used in the Group's operations. These advances are subject to liquidation. Advances to officers and employees expected to be liquidated for no more than 12 months after the financial reporting period are classified as other current assets.

*CWT*. CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source.

*Prepayments.* Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be incurred no more than 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

*Deferred Input VAT*. Deferred input VAT represents the unamortized amount of input VAT on the unpaid portion of availed services, including the use or lease of properties.

*Advances to Contractors.* Advances to contractors pertain to the advance payments for the rehabilitation and development of the Group's hydropower plants. These are applied on every payment of progress billing depending on the percentage of completion.

*Advances to Suppliers.* Advances to suppliers represent advance payments on services to be incurred in connection with the Group's operations. These are capitalized in the consolidated statements of financial position, upon actual receipt of services, which is normally within 12 months or within the normal operating cycle which are presented as part of current assets in the consolidated statements of financial position.

**Investments in Associates**

The Group's investments in associates, where there is significant influence, are accounted for under the equity method. These also include investments where the Group holds 20% or more of the voting stocks but does not have control over the associate or where, even though the Group holds 20% or less, the Group has significant influence over operating and financial policies of the associate. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

Under the equity method, investments in associates are carried in the consolidated statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statements of comprehensive income reflect the share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The share in net income or loss of the associates is shown as "Equity share in net income (loss) of associates" account in the consolidated statements of comprehensive income.

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over an associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

**Property, Plant and Equipment**

Property, plant and equipment, except land and construction in progress, are carried at cost less accumulated depreciation and amortization and any impairment losses. Land and construction in progress are carried at cost less any impairment losses.

The initial cost of property, plant and equipment consists of its purchase price, including import duties, and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts when the asset recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to current operations. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

The cost of replacing a component of an item of property, plant and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

Depreciation and amortization are calculated on the straight-line basis over the estimated useful lives of the property, plant and equipment follows:

| | Number of Years |
|---|---|
| Hydropower plants | 25 |
| Buildings | 15 to 25 |
| Furniture, fixtures and office equipment | 3 to 5 |
| Transportation equipment | 5 to 15 |

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized to profit or loss.

Construction in progress represents properties under construction and is stated at cost, including cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

**Impairment of Nonfinancial Assets**
The carrying amounts of the Group's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash generating unit (CGU) is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Group. Impairment losses are recognized in profit or loss in the period incurred.

The recoverable amount of a nonfinancial asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while the fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less cost of disposal.

In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized.

**Subscription Payable**
Subscription payable pertains to the amount still to be paid for the total subscribed shares.

**Capital Stock and Additional Paid-In Capital**
Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are recognized in equity as deduction from proceeds, net of tax. Unpaid subscriptions are recognized as a reduction of subscribed common shares.

**Retained Earnings (Deficit)**
Retained earnings (deficit) represents the cumulative results of operations, net of prior period adjustments, if any.

**Deposit for Future Stock Subscription**
Deposit for future stock subscription represents the amount received by the Group which it records as such with a view of applying the same as payment for additional issuance of shares or increase in capital stock. The amount

recorded in the consolidated statements of financial position is the share of the non-controlling interest since the amount received by the subsidiary from its Parent Company was eliminated during consolidation.

The deposit for future stock subscription is recognized as equity if and only if, all of the following elements forth by the SEC are present as of end of the reporting period:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is BOD's approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented or has been filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability.

**Other Equity Reserve**
Other equity reserve represents net excess of the consideration given up over the carrying amount of the non-controlling interest acquired.

**Earnings Per Share**
The Group presents basic and diluted earnings per share data for its common shares.

Basic earnings per share is calculated by dividing the net income attributable to common shareholders of the Parent Company by the weighted average number of common shares issued and outstanding during the year.

Diluted earnings per share amounts are computed in the same manner, adjusted for the dilutive effect of any potential common shares. There were no dilutive common shares as at December 31, 2022, 2021 and 2020.

**Revenue Recognition**
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

*Variable Consideration.* If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or service to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur and when the associated uncertainty with the variable consideration is subsequently resolved.

The following specific recognition criteria must also be met before revenue is recognized:

*Sale of Electricity.* Revenue from sale of electricity is recognized based on the actual delivery of electricity, net of any adjustments.

*Interest Income.* Interest income is recognized as the interest accrues, taking into account the effective yield on the asset, net of final tax.

*Other Income*. Income from other sources is recognized when earned during the period.

**Contract Asset**
Contract assets are recognized when the Group has already rendered the services to the customer but where the Group is yet to bill them. Contract assets are subject to impairment assessment in accordance with impairment of financial assets at amortized cost.

**Cost and Expense Recognition**
Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

*Cost of Sale of Electricity.* Cost of sale of electricity are recognized as expense when the related services are rendered.

*Operating Expenses.* Operating expenses constitute costs of administering the business. These are expensed as incurred.

**Leases**

A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the Group has both of the following:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

**Group as Lessee**

*Short-term Leases and Leases of Low-value Assets*. The Group applies the short-term lease recognition exemption to its short-term leases of head office space and staff houses (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term lease are recognized as expense on a straight-line basis over the lease term.

**Employee Benefits**

*Short-term Benefits.* The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

**Borrowing Costs**

Borrowing costs is recognized in profit or loss using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of interest expense commences when expenditures for the asset and interest are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when all such activities are substantially complete.

**Income Taxes**

*Current Tax*. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused net operating loss carryover (NOLCO) available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same tax authority.

**Related Parties and Related Party Transactions**
Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties.

Parties are considered to be related if one party has the ability to directly or indirectly, control or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled, or under common control with the Group; (b) associates; (c) individuals owning directly or indirectly, an interest in the voting power of the Group that give them significant influence over the Group and close members of the family of any such individual; and (d) members of the key management personnel of the Group.

In considering each possible related party relationship, attention is directly to the substance of the relationship and not merely on the legal form.

**Segment Reporting**
The Group's operating segments are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services to different markets. Financial information on operating segments is presented in Note 25 to the consolidated financial statements. The Chief Executive Officer (CEO), the chief operating decision maker, reviews management reports on a regular basis. The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

For purposes of management reporting, the Group's operating segment is related to its renewable energy generation operations.

**Discontinued Operations**
A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the consolidated statements of comprehensive income.

**Provisions**
Provisions are recognized when the Group has a present, legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

**Contingencies**
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated statements of financial position when an inflow of economic benefits is probable.

**Events After the Reporting Period**
Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

## 3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, accounting estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, accounting estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date.

While the Group has assessed that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The judgments, accounting estimates and underlying assumptions are reviewed on an on-going basis. Changes in accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the change and future periods if the revision affects both current and future periods.

The following are the significant judgments, accounting estimates and assumptions made by the Group:

*Assessing Legal Contingencies.* The Group is currently involved in certain legal proceedings and claims. The Group determined the probable costs for these legal proceedings and claims based upon an analysis of potential results. Management believes that these legal proceedings and claims will not have a material adverse effect on the Group's consolidated financial statements and results of operations.

*Determining Lease Commitments - Group as a Lessee.* The Group has entered into various lease agreements for head office space and staff houses. The Group has elected not to recognize ROU assets on the lease qualifying under the short-term recognition exemption. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Rent expense on the lease qualifying under the short-term recognition exemption are disclosed in Note 21.

*Defining Default and Credit-Impaired Financial Assets.* The Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

a. Quantitative Criteria - the borrower is more than 30 days past due on its contractual payments, which is consistent with the Group's definition of default.

b. Qualitative Criteria - The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

   - The borrower is experiencing financial difficulty or is insolvent;
   - The borrower is in breach of financial covenants;
   - It is probable that the borrower will enter bankruptcy or other financial reorganization.

The definitions above have been applied to all financial instruments held by the Group consistently for internal credit risk management purposes. The default definition has been applied consistently, as well, to the determination of ECL.

*Estimating the ECL on Trade Receivables and Contract Assets.* The Group's trade receivables and contract assets are subject to the ECL model.

The Group applies the general approach in measuring ECL for trade receivables and contract assets since its customers can be graded as low risk. At the end of the reporting year, a loss allowance is recognized at an amount equal to 12-month ECL since there has not been a significant increase in credit risk since initial recognition.

There is no allowance for ECL as at December 31, 2023 and December 31, 2022. The carrying amounts of trade receivables are disclosed in Note 7.

*Assessing the Impairment of Other Financial Assets at Amortized Cost*. The Group determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL are provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime expected credit loss.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group's financial assets at amortized cost are considered to have low credit risk, and therefore the loss allowance is determined as 12 months expected credit losses. The Group has assessed that the ECL for financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and counterparties with good credit standing and relatively low risk of defaults. Accordingly, no impairment loss was recognized in 2022, 2021 and 2020.

The carrying amounts of other financial assets at amortized cost are disclosed in Notes 6, 8 and 18.

*Estimating the Useful Lives of Property, Plant and Equipment.* The Group reviews annually the estimated useful lives of property, plant and equipment based on expected asset's utilization, market demands and future technological development consistent with the Group's pursuit of constant modernization of the equipment to ensure the availability, reliability and cost efficiency of the equipment. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property, plant and equipment.

There was no change in the estimated useful lives of property, plant and equipment in 2023 and 2022. The carrying amount of property, plant and equipment are disclosed in Note 10.

*Assessing the Impairment of Nonfinancial Assets.* The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considered important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; or
- significant negative industry or economic trends.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for cash-generating unit to which the asset belongs. No impairment indicators were identified in 2023 and 2022 and thus, no impairment was recognized.

The carrying amounts of the significant nonfinancial assets of the Group are disclosed in Notes 8, 9, 10 and 11.

*Assessing the Impairment of Goodwill.* The Group tests annually whether any impairment in goodwill should be recognized, in accordance with the related accounting policy. The recoverable amount of CGU has been determined based on value in use calculations which require the use of estimates.

Based on the impairment assessment, the recoverable amount of the CGU as at December 31, 2023 and December 31, 2022, calculated based on value in use is greater than the corresponding carrying values (including goodwill) of the CGU.

The carrying amount of goodwill are disclosed in Note 4.

*Recognizing Deferred Tax Assets.* The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be

available to allow all or part of the deferred tax assets to be utilized.

The Group's unrecognized and recognized deferred tax assets are disclosed in Note 20.

## 4. Business Combinations and Goodwill

**Business Combinations**

**BHC**
On July 27, 2021, the Parent Company acquired 75% ownership interest in BHC for ₱37,055,556.

The finalized fair values of the identifiable assets acquired and liabilities assumed as at the date of the acquisition were as follows:

| | |
|---|---|
| Assets acquired: | |
| Other receivables | ₱25,000 |
| Property, plant and equipment | 2,390,735 |
| Other assets | 1,749 |
| | 2,417,484 |
| Liabilities assumed - | |
| Trade and other payables | 75,200 |
| Net Assets | ₱2,342,284 |

Goodwill was recognized as follows:

| | |
|---|---|
| Fair value of consideration transferred at acquisition date | ₱37,055,556 |
| Fair value of non-controlling interests in BHC | 585,571 |
| | 37,641,127 |
| Less fair value of net assets | 2,342,284 |
| | ₱35,298,843 |

The non-controlling interests in BHC were based on the proportionate share in BHC's identifiable net assets.

In 2022, the Parent Company increased its ownership interest in BHC to 100% by acquiring the remaining common shares held by non-controlling shareholders for ₱18,134,558 and converting its DFSS amounting to ₱12,944,444. The excess of the consideration over the carrying amount of the non-controlling interest amounting to ₱30,981,599 was recorded under "Other equity reserve" account in the consolidated statements of financial position.

**MHCI**
On November 6, 2019, the Parent Company acquired 99.08% ownership of MHCI resulting to goodwill amounting to ₱86,599,545. Payable attributable to acquisition of a subsidiary amounted to ₱59,251,096 as at December 31, 2022 and 2021 (see Note 12).

**PPDC**
On July 15, 2015, the Parent Company acquired 45% ownership of PPDC resulting to a goodwill of ₱14,052,298.

In 2016, the Parent Company increased its ownership interest to 99.4% by acquiring the common shares of PPDC resulting to a net excess of the consideration over the carrying amount of the non-controlling interest of ₱8,820,817. The net excess was recorded to "Other equity reserve" account in the consolidated statements of financial position.

**Objective of Acquisitions**
The acquisitions of BHC, PPDC and MHCI were executed to expand its hydroelectric power plant operations. The goodwill recognized for the acquisitions are attributable to the expected synergies from combining the operations of the subsidiaries and the technical expertise of the Parent Company.

**Goodwill**
Goodwill from the acquisition of the subsidiaries are as follows:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| MHCI | **₱86,599,545** | ₱86,599,545 |
| BHC | **35,298,843** | 35,298,843 |
| PPDC | **14,052,298** | 14,052,298 |
| | **₱135,950,686** | ₱135,950,686 |

For purposes of impairment testing, the Group determined the recoverable amount of goodwill based on value in use. Value in use is based on discounted cash flow model using the subsidiaries' financial forecasts for the next five years.

Key assumptions used to which the recoverable amounts are most sensitive are revenue growth rates, estimated operational costs, weighted average long-term growth rates and discount rates. Revenue growth rates are based on expected operating results with reference to projected cash flows from stress testing. Operational costs are determined based on average fixed and variable costs adjusted for inflationary increases but not reflecting any future restructurings or cost saving measures.

The Group has assessed that there is no goodwill impairment based on a discounted cash flow model using projected budget for the next five years. The pre-tax weighted average cost of capital of the entities ranges from 5.75% to 8.46%.

The Parent Company assessed that goodwill from business combinations are not deductible for tax purposes.

## 5. Material Non-controlling Interests

The following table summarizes the subsidiaries with material effective percentage of ownership held by non-controlling interests.

| | Principal Place of Business | **2023** | 2022 |
|---|---|---|---|
| L1HC | Real, Quezon | **18%** | 40% |
| PHC | Mauban, Quezon | **40%** | – |
| PMHC* | Makati City, Metro Manila | – | – |
| PLI** | Real, Quezon | – | – |
| PPI** | Valencia, Bukidnon | – | – |
| BHC | Naga, Camarines Sur | – | – |

**50% minus one (1) share*
*** wholly-owned subsidiaries of PMHC*

Non-controlling interests in the consolidated statements of financial position are presented below:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| L1HC | **₱124,117,583** | ₱108,369,707 |
| PHC | **3,868,922** | – |
| Others | **4,306,992** | 3,364,234 |
| | **₱132,293,497** | ₱111,733,941 |

The net income (loss) attributable to non-controlling interests in the consolidated statements of comprehensive income is presented below:

| | **December 31** | |
|---|---|---|
| | **2023** | 2022 |
| L1HC | **₱6,256,568** | ₱27,164,410 |
| PMHC | – | (11,168,448) |
| Others | **809,538** | 863,171 |
| | **₱7,066,106** | ₱16,859,133 |

The summarized financial information of the material partly-owned subsidiary of the Group, L1HC and PHC, are presented below. This information is based on the amounts before intercompany eliminations.

| L1HC | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| Current assets | **₱24,009,960** | ₱126,207,111 |
| Noncurrent assets | **1,044,912,171** | 929,734,005 |
| Current liabilities | **39,943,124** | 345,182,430 |
| Noncurrent liabilities | **410,574,018** | 360,073,070 |
| Equity | **618,404,989** | 350,685,616 |
| Revenue | **116,873,270** | 156,336,606 |
| Net income | **25,680,073** | 67,911,025 |
| Total comprehensive income | **25,680,073** | 67,911,025 |

| PHC | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| Current assets | **₱20,442,472** | ₱– |
| Noncurrent assets | **56,758,482** | – |
| Current liabilities | **20,153,648** | – |
| Noncurrent liabilities | **–** | – |
| Equity | **57,047,306** | – |
| Revenue | **–** | – |
| Net income | **(327,694)** | – |
| Total comprehensive income | **(327,694)** | – |

## 6. Cash

This account consists of:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| Cash on hand | **₱6,678,900** | ₱333,857 |
| Cash in banks | **38,209,543** | 82,329,855 |
| | **₱44,888,443** | ₱82,663,712 |

Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations.

Interest income recognized in profit or loss are as follows:

| | Note | **December 31** | |
|---|---|---|---|
| | | **2023** | 2022 |
| Continuing operations | 17 | **₱178,093** | ₱37,522 |
| Discontinued operations | | **–** | – |
| | | **₱178,093** | ₱37,522 |

The Group has restricted cash amounting to ₱7,102,120 as at December 31, 2023 and December 31, 2022 (see Note 8).

## 7. Funds Held in Escrow

The Parent Company appointed a universal bank as the custodian bank (the Custodian Bank) to manage and administer the proceeds of the IPO.
The IPO proceeds are kept separate and distinct from all other funds in custody of the Custodian Bank. The Custodian Bank maintains independent books of records of all the transactions of the escrow account and shall release the proceeds to the parent Company, subject to the issuance of a letter of instructions, and a written certification under oath, signed by the Chief Financial Officer of the Parent Company, stating the purpose of which the Company shall use the funds, and such purpose is exclusively in accordance with the approved use of proceeds.

The escrow deposit maintained under escrow account with the Custodian Bank amounted to ₱526,537,923 as at December 31, 2023. Net withdrawals from fund held in escrow amounted to ₱423,100,000 in 2023.

Interest income earned amounted to ₱137,324 in 2023.

## 8. Trade and Other Receivables

This account consists of:

| | Note | **December 31, 2023** | December 31, 2022 |
|---|---|---|---|
| Trade | | **₱76,491,779** | ₱74,115,524 |
| Contracts assets | 21 | **55,012,741** | 54,440,516 |
| Receivables from employees | | **1,309,801** | 1,123,911 |
| | | **₱132,814,321** | ₱129,679,951 |

Trade receivables pertain to receivable from sale of electricity in the Wholesale Electricity Spot Market (WESM) under the Feed-in-Tariff (FIT) mechanism and Independent Electricity Market Operator of the Philippines (IEMOP). These are noninterest-bearing and are generally collectible within 30 to 90 days. Contract assets pertain to unbilled FIT differential (see Note 21).

Receivables from employees pertain to cash advances related to the Group's operations which are subject to liquidation.

## 9. Other Assets

This account consists of:

| **Other Current Assets** | Note | **December 31, 2023** | December 31, 2022 |
|---|---|---|---|
| Receivable from contractors | | **₱65,941,707** | ₱65,941,707 |
| Advances to contractors and suppliers | 11 | **26,015,783** | 70,000 |
| Advances to employees | | **13,448,220** | 6,176,425 |
| Input VAT for refund | | **17,471,534** | 19,213,438 |
| Input VAT | | **6,954,333** | 19,610,165 |
| Creditable withholding tax | | **3,857,351** | 2,529,043 |
| Prepayments | | **2,868,341** | 2,579,882 |
| Restricted cash | 8 | **1,838,341** | 120,000 |
| Current portion of deferred input VAT | | **243,038** | 324,051 |
| Others | | **2,344,856** | 1,652,878 |
| | | **140,983,504** | 118,217,590 |
| Allowance for impairment of input VAT | | **1,241,757** | **–** |
| | | **₱139,741,747** | ₱118,217,590 |

| **Other Noncurrent Assets** | Note | **December 31, 2023** | December 31, 2022 |
|---|---|---|---|
| Contract asset – net of current portion | | **₱9,733,811** | **₱–** |
| Restricted cash – net of current portion | | **7,102,904** | 8,584,590 |
| Refundable deposit | | **494,040** | 494,040 |
| Deferred input VAT – net of current portion | | **–** | 243,038 |
| | | **₱17,330,755** | ₱9,321,668 |

Receivables from contractors pertain to unapplied advances which will be refunded to the Group.

Advances to employees represent cash advances and other loans granted to the Group's employees which are noninterest-bearing in nature and are subject to liquidation.

In 2023 and 2022, the Group wrote off input VAT amounting to ₱,709,636 and ₱1,518,416, respectively (see Note 19). In addition, in 2023, the Group recognized provision for impairment of input VAT amounting to ₱1,241,757.

Restricted cash pertains to MHCI's hold-out agreement with a local bank to secure prompt payment of the loan used to partially finance the rehabilitation of the hydropower plants.

## 10. Investments in Associates

Movements in this account are as follows:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| **Acquisition Cost** | | |
| Balance at beginning of period | **₱15,000,000** | ₱20,625,000 |
| Disposal | **–** | (5,625,000) |
| Balance at end of period | **15,000,000** | 15,000,000 |
| | | |
| **Advances For Future Stock Subscription** | | |
| Balance at beginning of period | **40,191,200** | 23,400,000 |
| Additions | **–** | 16,791,200 |
| Balance at end of period | **40,191,200** | 40,191,200 |
| | | |
| **Accumulated Equity Share in Net Loss of Associates** | | |
| Balance at beginning of period | **(11,213,667)** | (14,986,873) |
| Disposal | **–** | 5,625,000 |
| Equity share in net loss | **(3,612,394)** | (1,851,794) |
| Balance at end of period | **(11,213,667)** | (11,213,667) |
| | | |
| **Carrying Amount** | **₱40,365,139** | ₱43,977,533 |

In 2022, the Group assigned its 30% ownership interest in TNI to a related party and recognized a gain on disposal of investment in associate amounting to ₱4,218,750 (see Notes 1 and 19).

The latest financial information of the Group's associates is summarized below.

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| Total current assets | **₱28,228,688** | ₱54,715,703 |
| Total noncurrent assets | **715,274,160** | 520,117,462 |
| Total current liabilities | **392,235,169** | 333,679,241 |
| Total noncurrent liabilities | **350,687,883** | 228,532,814 |
| Total equity | **579,796** | 12,621,110 |
| Revenues | **–** | – |
| Total comprehensive loss | 12,041,314 | (6,172,646) |

The reconciliation of the net assets and the carrying amount of investment in BEHMC and Subsidiaries follows:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| Equity at end of year | **₱579,796** | ₱12,621,110 |
| Percentage of ownership | **30%** | 30% |
| | **173,939** | 3,786,333 |
| Advances for future stock subscription | **40,191,200** | 40,191,200 |
| Carrying amount of investment | **₱40,365,139** | ₱43,977,533 |

11. **Property, Plant and Equipment**

Movements and balances of this account consist of:

| | | December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Hydropower Plants | Construction in Progress | Land | Buildings | Furniture, Fixtures and Office Equipment | Transportation Equipment | Total |
| **Cost** | | | | | | | | |
| Balance at beginning of period | | **₱1,881,823,635** | **₱1,307,486,317** | **₱13,869,359** | **₱10,284,120** | **₱4,312,802** | **₱3,269,950** | **₱3,221,046,183** |
| Additions | | **77,329,396** | **938,000,493** | **–** | **1,408,949** | **1,860,287** | **–** | **1,018,599,125** |
| Reclassification | | **1,231,494,145** | **(1,244,334,145)** | **–** | **12,840,000** | **–** | **–** | **–** |
| Balance at end of period | | **3.190.647.176** | **1,001,152,665** | **13,869,359** | **24,533,069** | | | |
| **Accumulated Depreciation and Amortization** | | | | | | | | |
| Balance at beginning of period | | **175,056,276** | **–** | **–** | **1,259,280** | **2,053,658** | **2,215,540** | **180,584,754** |
| Depreciation and amortization | | **80,012,810** | **–** | **–** | **1,203,792** | **946,495** | **277,810** | **82,440,907** |
| Balance at end of period | | **255,069,086** | **–** | **–** | **2,463,072** | **3,000,153** | **2,493,350** | **263,025,661** |
| **Carrying Amount** | | **₱2,935,578,090** | **₱1,001,152,665** | **₱13,869,359** | **₱22,069,997** | **₱3,172,936** | **₱776,600** | **₱3,976,619,647** |

| | | December 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Hydropower Plants | Construction in Progress | Land | Buildings | Furniture, Fixtures and Office Equipment | Transportation Equipment | Total |
| **Cost** | | | | | | | | |
| Balance at beginning of year | | ₱1,586,183,496 | ₱1,146,285,222 | ₱11,055,434 | ₱10,284,120 | ₱2,950,408 | ₱3,243,568 | ₱2,760,002,248 |
| Additions | | – | 804,009,688 | 2,813,925 | – | 1,511,360 | 26,382 | 808,361,355 |
| Reclassification | | 296,089,125 | (296,089,125) | – | – | – | – | – |
| Deconsolidation of PMHC and Subsidiaries | 19 | – | (346,719,468) | – | – | (148,966) | – | (346,868,434) |
| Disposal | | (448,986) | – | – | – | – | – | (448,986) |
| Balance at end of year | | 1,881,823,635 | 1,307,486,317 | 13,869,359 | 10,284,120 | 4,312,802 | 3,269,950 | 3,221,046,183 |
| **Accumulated Depreciation and Amortization** | | | | | | | | |
| Balance at beginning of year | | 102,916,835 | – | – | 839,520 | 1,601,407 | 1,936,187 | 107,293,949 |
| Depreciation and amortization | | 72,139,441 | – | – | 419,760 | 589,995 | 279,353 | 73,428,549 |
| Deconsolidation of PMHC and Subsidiaries | 19 | – | – | – | – | (137,744) | – | (137,744) |
| Balance at end of year | | 175,056,276 | – | – | 1,259,280 | 2,053,658 | 2,215,540 | 180,584,754 |
| **Carrying Amount** | | ₱1,706,767,359 | ₱1,307,486,317 | ₱13,869,359 | ₱9,024,840 | ₱2,259,144 | ₱1,054,410 | ₱3,040,461,429 |

**Property, Plant and Equipment as Loan Securities**
Parcels of land, hydropower plants and construction in progress with a carrying value aggregating P3,645,006,776 and ₱2,588917,043 as at December 31, 2023 and December 31, 2022, were mortgaged as collateral for the Group's loans .

**Depreciation and Amortization**
Depreciation and amortization charged to operations are as follows:

| | | December 31 | |
|---|---|---|---|
| | Note | **2023** | 2022 |
| Cost of sale of electricity | 15 | **₱79,607,102** | ₱68,859,428 |
| Operating expenses | 16 | **8,378,785** | 4,569,121 |
| | | **₱87,985,887** | ₱73,428,549 |

## 12. Advances to Contractors and Suppliers

The balance of this account amounted to 26,015,783 and 70,000 as at December 31, 2023 and December 31, 2022, respectively (see Note 9).

This account consists of advance payments to contractors and suppliers for the construction and development of the Group's hydropower plants and water facilities. These are applied against progress billings based on the percentage of completion.

## 13. Trade and Other Payables

This account consists of:

| | Note | **December 31, 2023** | December 31, 2022 |
|---|---|---|---|
| Trade | | **₱157,854,444** | ₱233,078,102 |
| Accrued expenses | | **154,173,755** | 3,279,702 |
| Payable to a contractor | | **120,648,195** | – |
| Current portion of retention payable | | **93,218,636** | 99,060,964 |
| Payable for the acquisition of MHCI shares | 4 | **59,251,096** | 59,251,096 |
| Interest payable | | **22,283,895** | 18,433,268 |
| Statutory payables | | **710,698** | 14,932,795 |
| Others | | **12,392,459** | 1,217,360 |
| | | **₱620,533,178** | ₱429,253,287 |

Trade payables are noninterest–bearing and are generally settled in varying periods within one year depending on the arrangements with suppliers and contractors.

Retention payable represents the portion of the contract price that is withheld until the construction works are substantially complete. Retention payable presented in the consolidated statements of financial position are as follows:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| Current | **₱93,218,636** | ₱99,060,964 |
| Noncurrent | **80,466,710** | 49,914,209 |
| | **₱173,685,346** | ₱148,975,173 |

## 14. Loans Payable

This account consists of:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| Local creditor banks | **₱1,800,736,937** | ₱1,456,337,878 |
| Individual | **–** | 40,000,000 |
| | **1,800,736,937** | 1,456,337,878 |
| Unamortized debt issue cost | **(17,131,147)** | (13,651,989) |
| Carrying amount | **1,783,605,790** | 1,442,685,889 |
| Current portion | **114,880,390** | 122,956,289 |
| Noncurrent portion | **₱1,668,725,400** | ₱1,319,729,600 |

Movements in this account are as follows:

| | Note | **December 31, 2023** | December 31, 2022 |
|---|---|---|---|
| Balance at beginning of year | | **₱1,442,685,889** | ₱1,530,673,830 |
| Availments | | **466,000,000** | 352493751 |
| Payments | | **(122,956,290)** | (155,814,440) |
| Debt issue cost incurred | | **(5,725,535)** | (1,969,095) |
| Debt issue cost amortization | | **2,246,337** | 946,494 |
| Deconsolidation of PMHC and Subsidiaries | 19 | **–** | (285,000,000) |
| Amortization of fair value adjustment from business combination | | **1,355,349** | 1,355,349 |
| Balance at end of year | | **₱1,783,605,790** | ₱1,442,685,889 |

The Group entered into various loan contracts with local creditor banks to finance and reimburse the construction and rehabilitation of its various projects, with interest rates ranging from 5.5% to 7.5% per annum, and with terms ranging from one to 15 years.

**PLI**
On August 16, 2021, the OLSA was amended thereby extending the facility's availability period until July 15, 2023. PLI also applied for the revision of principal repayment to commence at the 21st quarter from initial drawdown date or in August 2023. PLI was notified by the Bank on August 23, 2021 that it has approved the extension of the grace period to pay the loan principal in August 2023.

**Financial Covenants**
The loans include covenants to maintain certain debt-to-equity ratio, current ratio and debt service ratio during the term of the loan. The Group is compliant with these requirements, except for THC as at December 31, 2022 and except for THC and L1HC as at December 31, 2021. In accordance with the loan agreement, the borrower shall be in default if, in the reasonable opinion of the creditor bank, the noncompliance is not remediable, after a written notice for such failure. On November 16, 2022, the creditor bank recommended to amend THC's start of compliance to these financial covenants after one year from the start of its commercial operation. As at report date, the Group has not received any letter for non-compliance from the creditor bank.

**Local Creditor Banks**
The Group entered into various loan contracts with local creditor banks to finance and reimburse the construction and rehabilitation of its various projects, with interest rates ranging from 5.5% to 7.5% per annum, and with terms ranging from one to 15 years.

**Debt Issue Costs**
Debt issue costs pertain to documentary stamp taxes and other transaction costs incurred in connection with the loans. Movements of unamortized debt issue costs are as follows:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| Balance at beginning of year | **₱13,651,989** | ₱12,629,388 |
| Incurred | **5,725,535** | 1,969,095 |
| Amortization: | | |
| Capitalized borrowing cost | **(311,666)** | (589,161) |
| Interest expense | **(1,934,711)** | (357,333) |
| Balance at end of year | **₱17,131,147** | ₱13,651,989 |

| | Note | **2023** | 2022 |
|---|---|---|---|
| Cost of sale of electricity | 15 | **₱79,607,102** | ₱68,859,428 |
| Operating expenses | 16 | **8,378,785** | 4,569,121 |
| | | **₱87,985,887** | ₱73,428,549 |

## 15. Retirement Liability

The Group has unfunded and non-contributory defined benefit retirement plan covering all its qualified employees. The retirement benefits are based on years of service and compensation on the last year of employment as determined by an independent actuary as at December 31, 2023.

The breakdown of retirement expense in 2023 is as follows:

| | |
|---|---|
| Current and past service cost | ₱5,210,221 |
| Interest expense | 479,748 |
| | ₱5,689,969 |

The movements of retirement liability recognized in the consolidated statements of financial position as at December 31, 2023 are as follows:

| | 2022 |
|---|---|
| Balance at beginning of year | ₱– |
| Current service cost | 697,789 |
| Interest expense | 479,748 |
| Past service cost | 4,512,432 |
| Remeasurement gain | (600,997) |
| Balance at end of year | ₱5,008,972 |

The rates used as principal assumptions for the purpose of the actuarial valuation as at December 31, 2023 ranges from 7.0% to 7.4% for discount rate 5.0% for salary projection rate.

## 16. Equity

On November 6, 2019, REDC's BOD and stockholders approved the increase its authorized capital stock from ₱150,000,000 divided into 150,000,000 shares at ₱1.00 par value share to ₱750,000,000 divided into 750,000,000 shares at ₱1.00 par value share. Out of the increase in authorized capital stock, ₱300,000,000 worth of shares has been subscribed and out of such subscription, ₱115,350,626 has been paid through the assignment of advances (see Note 18). On July 14, 2020, REDC filed its application for the increase in authorized capital stock with the SEC. The SEC approved the increase in authorized capital stock on January 31, 2022.

In 2022, upon approval of the increase in authorized capital stock, REDC issued 300,000,000 shares through the application of deposit for future stock subscription amounting to ₱424,901,466 resulting into additional paid-in capital amounting to ₱124,901,466 (see Note 18).

Movements in capital stock are as follows:

| | **December 31, 2023** | | December 31, 2022 | |
|---|---|---|---|---|
| | **No. of Shares** | **Amount** | No. of Shares | Amount |
| **Authorized Capital Stock at ₱1 par value** | | | | |
| Balance at beginning of year | **750,000,000** | **₱750,000,000** | 150,000,000 | ₱150,000,000 |
| Increase during the year | **–** | **–** | 600,000,000 | 600,000,000 |
| Balance at end of year | **750,000,000** | **₱750,000,000** | 750,000,000 | ₱750,000,000 |
| **Issued and Outstanding** | | | | |
| Balance at beginning of year | **450,000,000** | **₱450,000,000** | 150,000,000 | ₱150,000,000 |
| Issuances of shares | **200,000,002** | **200,000,002** | 300,000,000 | 300,000,000 |
| Balance at end of year | **650,000,002** | **₱650,000,002** | 450,000,000 | ₱450,000,000 |

## 17. Cost of Sale of Electricity

This account consists of:

| | **December 31** | |
|---|---|---|
| | **2023** | 2022 |
| Depreciation and amortization | **₱78,816,554** | ₱68,859,428 |
| Salaries and wages | **18,967,788** | 16,149,442 |
| Communication and utilities | **7,448,653** | 5,299,041 |
| Outside services | **6,215,746** | 1,533,383 |
| Retirement benefits | **2,875,553** | **–** |
| Repairs and maintenance | **3,806,945** | 3,430,046 |
| Insurance | **3,311,145** | **–** |
| Taxes and licenses | **2,500,585** | 1,516,868 |
| Distribution wheeling charges | **1,564,615** | 882,628 |
| Transportation | **694,716** | 1,047,332 |
| Materials | **519,799** | 955,918 |
| Rent | **109,350** | 81,397 |
| Others | **4,998,381** | 5,114,943 |
| | **₱131,829,830** | ₱104,870,426 |

16. **Operating Expenses**

This account consists of:

| | Note | December 31 2023 | 2022 |
|---|---|---|---|
| Taxes and licenses | | **₱16,360,970** | 9,522,572 |
| Salaries and wages | | **15,185,599** | 10,609,546 |
| Representation and entertainment | | **13,274,235** | 5,711,575 |
| Outside services | | **11,725,711** | 3,165,210 |
| Transportation and meals | | **5,608,987** | 4,376,683 |
| Professional fee | | **5,387,394** | 4,376,863 |
| Rental | 21 | **3,728,865** | 3,541,161 |
| Listing fees | | **3,692,615** | **–** |
| Depreciation and amortization | 10 | **3,624,353** | 4,541,811 |
| Communication and utilities | | **3,196,759** | 3,754,236 |
| Retirement benefits | | **2,814,416** | **–** |
| Insurance | | **2,214,690** | 976,020 |
| Repairs and maintenance | | **1,141,685** | 965,155 |
| Fuel, oil and lubricants | | **317,945** | 361,899 |
| Research and development cost | | **125,326** | 994,959 |
| Others | | **4,695,099** | 3,082,016 |
| | | **₱93,094,648** | ₱53,426,762 |

Others include expenses for appraisal and survey services among others.

17. **Other Income** - Net

This account consists of:

| | Note | December 31 2023 | 2022 |
|---|---|---|---|
| Gain on insurance proceeds | 6 | **₱4,739,996** | **₱–** |
| Write-off of input VAT | | **(1,709,636)** | (1,518,416) |
| Provision for impairment of input VAT | | **(1,241,757)** | **–** |
| Interest income | | **178,093** | 37,522 |
| Gain on disposal of a subsidiary and an associate | | **–** | 4,218,750 |
| Foreign exchange loss | | **–** | (1,580) |
| Others | | **10,883,206** | (7,335) |
| | | **₱12,849,902** | ₱2,728,941 |

18. **Related Party Transactions**

The Group has transactions with its related parties in the ordinary course of business as follows:

| | Amount of Transactions | | Balance at End of Year | |
|---|---|---|---|---|
| | **December 31, 2023** | December 31, 2022 | **December 31, 2023** | December 31, 2022 |
| **Due from Related Parties** | | | | |
| Stockholders | **₱–** | ₱67,106 | **₱–** | ₱55,862 |
| BEHMC | **–** | **–** | **17,263** | 17,263 |
| Entities under common control | **81,204,980** | 50,537,919 | **132,832,515** | 51,644,798 |
| | | | **₱132,849,778** | ₱51,700,660 |
| **Due to Related Parties** | | | | |
| Parent | **₱–** | ₱137,605,406 | **₱222,933,416** | ₱420,461,620 |
| Stockholders | **109,557,144** | 127,114,999 | **288,700,778** | 179,143,634 |
| Entities under common control | **106,532,766** | 37,046,623 | **187,252,572** | 82,348,057 |
| Associate | **79,547,937** | 79,547,937 | **79,547,937** | 77,126,808 |
| | | | **₱778,434,703** | ₱759,080,119 |

**Due from Related Parties**
These are noninterest-bearing working capital advances, unsecured and are due and demandable. No impairment loss was recognized in 2022 and 2021.

**Due to Related Parties**
These are noninterest-bearing working capital advances, unsecured and are payable in cash and upon demand.

**Compensation of Key Management Personnel**
Compensation of key management personnel of the Group consists of short-term benefits amounting to ₱4.5 million for the periods ended December 31, 2023 and 2022.

## 19. Discontinued Operations

On November 4, 2022, the Parent Company assigned its ownership interest in PMHC, a subsidiary, to Colossal Petroleum Corporation for ₱40,750,000. As at December 31, 2022, PMHC and its subsidiaries were presented as a discontinued operation.

The results of operations of PMHC and its subsidiaries are presented below:

| | December 31, 2022 |
|---|---|
| Operating expenses | ₱458,175 |
| Interest expense | 21,878,722 |
| | 22,336,897 |
| Gain on disposal | (34,276,628) |
| Net loss (income) from discontinued operations | (₱11,939,731) |

## 20. Income Taxes

The Group has no current income tax due to the income tax holiday and net loss position.

The details of the Group's net deferred tax liabilities are as follows:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| Deferred tax asset - | | |
| Unrealized foreign exchange gain | **₱18,365** | ₱45,912 |
| Deferred tax liabilities: | | |
| Unamortized debt issue cost | **1,728,843** | 3,412,997 |
| Difference between the fair value and carrying amount of property, plant and equipment | **749,974** | 749,974 |
| | **2,478,817** | 4,162,971 |
| | **₱2,460,452** | ₱4,117,059 |

On December 31, 2020, Bureau of Internal Revenue (BIR) issued the Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of the Republic Act No. 11494, otherwise known as "Bayanihan to Recover as One Act". This RR provides that net operating loss of the business or enterprise for taxable years 2020 and 2021 to be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The reconciliation of income tax expense computed at the statutory tax rate to income tax expense (benefit) as shown in the consolidated statements of comprehensive income is summarized as follows:

| | | **December 31** | |
|---|---|---|---|
| | Note | **2023** | 2022 |
| Income tax computed at statutory tax rate | | **₱7,950,690** | ₱42,937,752 |
| Change in unrecognized deferred tax asset | | **19,262,951** | (1,846,154) |
| Effect of change in income tax rate | | **(2,020,250)** | **–** |
| Various tax effects | | **27,110,409** | (37,340,068) |
| | | **(₱1,917,018)** | ₱3,751,530 |

**Income Tax Holiday**
MHCI, PPDC, L1HC, and PLI are entitled to the following incentives under *Republic Act No. 9513*, *Renewable Energy Act of 2008* upon approval of BOI:

- Exempt from the payment of income taxes levied by the National Government for the first seven (7) years of commercial operations and 10% corporate income tax after the income tax holiday;

  Exemption is valid until:

| | Start of Commercial Operations | Expiry of 7 Year Exemption |
|---|---|---|
| MHCI | May 2019 | April 2026 |
| PPDC: | | |
| Balugbog powerplant | July 2018 | June 2025 |
| Calibato powerplant | January 2019 | December 2026 |
| Palakpakin powerplant | September 2018 | August 2025 |
| L1HC | September 2021 | August 2028 |
| BHC | April 2022 | April 2029 |

- Exempt from payment of tariff duties on the importation of renewable machinery, equipment and materials;
- Special realty tax of 1.5% on equipment and machinery;
- Zero value-added tax rate on the sale of renewable energy sources;
- Zero value-added tax rate on the purchases of goods, properties and services directly related to the development of hydropower plant facilities; and
- Tax exemption on the sale of carbon credits.

**Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act**
On March 26, 2021, the CREATE was approved and signed into law by the country's President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates retrospectively became effective beginning July 1, 2020. Since the Group is entitled to income tax holiday and is in a tax loss position, the change in income tax rate to the Group's consolidated financial statements did not have significant financial impact as at December 31, 2022, 2021 and 2020.

## 21. Significant Commitments

**Group as a Lessee**
The Group has certain leases for its head office space and staff houses with lease terms of 12 months or less. The Group applied the "short-term lease" recognition exemption for these leases.

Rental expense incurred as follows:

| | Note | December 31 **2023** | 2022 |
|---|---|---|---|
| Cost of sale of electricity | 15 | **₱**109,350 | **₱**81,397 |
| Operating expenses | 16 | 3,828,865 | 3,541,161 |
| Discontinued operations | | **–** | 10,000 |
| | | **₱3,838,215** | ₱3,632,558 |

**Renewable Energy Distribution**

**Hydropower Service Contract (HSC)**
The Government, through the Department of Energy (DOE), awarded HSCs to the Group for the exclusive right to explore, develop and utilize hydropower resources within specified contract areas. As at December 31, 2023, the Group has the following HSCs:

- Palakpakin Hydroelectric Power Plant
- Balugbog Hydroelectric Power Plant
- Calibato Hydroelectric Power Plant
- Majayjay Hydroelectric Power Project
- Labayat River (Upper Cascade) Hydroelectric Power Project

- Inarihan Hydroelectric Power Project
- Tibag Hydroelectric Power Project
- Pulanai River Hydroelectric Power Project
- Piapi River Hydroelectric Power Project

The contract period is for twenty-five (25) years which is divided into two (2) stages: the pre-development stage and the development or commercial stage.

The pre-development stage refers to preliminary assessment and feasibility study activities. The development or commercial stage commences from the confirmation of commerciality by the DOE and refers to the construction and installation of facilities up to the operation phase.

The HSC also provides that the Parent Company may assign or transfer part or all of its rights and/or obligations under the HSC to its affiliate upon compliance of the following provisions:

- The Parent Company shall submit to the DOE copies of the written agreement on the corresponding part of its rights and/or obligations to be assigned; and

- The Parent Company shall guarantee in writing to the DOE its performance of the assigned obligations.

**Provisional Authority to Operate (PAO) Feed-in-Tariff (FIT) Eligible Power Plant**

*MHCI*

In October 2019, the DOE issued a Certificate of Endorsement (COE) under the FIT system which entitled MHCI to FIT rate commencing on the date of commercial operations. In October 2020, the Energy Regulations Commission (ERC) issued PAO authorizing MHCI to participate in the FIT system for a period of one (1) year from October 14, 2020 to October 13, 2021 contingent on the validity of the permits and licenses issued by other government agencies, and pending compliance with the submission of the Business/Mayor's Permit and the amended Wholesale Electricity Spot Market (WESM) Registration.

On December 3, 2020, MHCI submitted to the ERC the Business/Mayor's Permit and the Notice of Approval for the Amended WESM Registration. On July 7, 2021, the ERC issued the Certificate of Compliance in favor of MHCI's hydroelectric power plant FIT eligibility valid from October 14, 2019 to October 13, 2024.

*PPDC*

In September 2019, the DOE issued COE under the FIT system for Palakpakin and Balugbog hydropower plants, which entitled the PPDC to the FIT rate from 2018 to 2038. On May 2020, the DOE issued the COE under the FIT system for the Calibato hydropower plant, which entitled PPDC to the FIT rate commencing from 2020 to 2040.

On December 2, 2020, PPDC received a PAO-FIT from ERC for Palakpakin, Calibato and Balugbog hydropower plants. The PAO was issued in favor of PPDC's hydropower plants FIT eligibility valid from December 2, 2020 to December 1, 2021 contingent on the validity of permits and licenses issued by other government agencies.

As at report date, PPDC has completed all the requirements set forth in the PAO except for the public offering requirement.

**Renewable Energy Payment Agreement (REPA) with National Transmission Corporation (Transco)**
The Group entered into a REPA with the Transco to set out the rights and obligations relating to the payment of the Actual FIT Revenue to the Group for the electricity generated by the FIT eligible power plants. Under the REPA, Transco, as the FIT Administrator, shall administer the implementation of the FIT System, manage the FIT-All Fund from which renewable energy developers shall be paid, and perform the function of settlement agent for the payment of Actual FIT Revenue to the eligible renewable energy power plants.

In accordance with the agreement, Transco shall pay the actual FIT revenue for all metered generation for a period of 20 years from commercial operations. Any FIT differential, prior to the effectivity of the REPA, shall be billed and collected from Transco over a period, equivalent to the number of months lapsed between the start of commercial operations until the effective date of the REPA. The unbilled FIT differential is recorded under "Contract assets" account.

The Group's contract assets amounted to ₱49,603,544 and ₱54,440,516 as at December 31, 2023 and December 31, 2022, respectively (see Note 7).

**Market Participation Agreement (MPA) with Independent Electricity Market Operator of the Philippines (IEMOP)**
The Group entered into an MPA to be a WESM Participant with IEMOP as its Market Operator to sell bulk energy generated from its hydropower plants subject to WESM rules and manuals.

**Power Supply Agreement (PSA) between PPDC and Meralco**
On May 20, 2014, PPDC entered into a PSA with Meralco to provide bulk energy from its hydropower plants for a period of five (5) years. The PSA states that Meralco will pay an amount per kilowatt-hour (kWh) of bulk energy provided, plus any governmental charges as necessary.

On May 22, 2019, the parties agreed to extend the PSA until October 25, 2019. On October 26, 2019, the parties agreed to further extend the PSA until May 15, 2020. The PSA was not renewed further in 2020.

**Legal Proceedings**
The Group is involved in certain legal proceedings. Management believes that the ultimate liability, if any, with respect to such disputes will not materially affect the financial position of the Group.

## 22. Financial Risk Management Objectives and Policies and Capital Management

The Group's principal financial instruments consist mainly of financial assets and financial liabilities directly related to operations specifically cash, trade and other receivables (excluding advances to employees), due from related parties, refundable deposit, receivables from contractors , trade and other payables (excluding statutory payables), loans payable, due to related parties, and retention payable.

**Financial Risk Management Objectives and Policies**
The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risk. The BOD reviews and agrees on policies for managing each of these risks.

**Credit Risk**
Credit risk is the risk that counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers including related parties, placing deposits with banks and investing in short–term placements.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The Group has significant concentration of credit risk in its trade receivables and contract assets, As discussed in Note 2, the Group only has few customers in 2022, 2021 and 2020.

Generally, trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of the debtor to engage in repayment plan, no active enforcement activity and a failure to make contractual payment for a period greater than one (1) year.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, representing the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained is summarized below:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| Cash in banks | **₱**38,209,543 | ₱82,449,855 |
| Trade and other receivables* | 131,504,520 | 128,556,040 |
| Due from related parties | 132,849,7778 | 51,700,660 |
| Refundable deposit | 494,040 | 494,040 |
| Receivables from contractors | 65,941,707 | 65,941,707 |
| Restricted cash | 8,941,245 | 8,704,590 |
| | **₱337,940,833** | ₱337,726,892 |

**Excluding receivable from employees and other receivables aggregating ₱1,309,801 and ₱1,123,911 as at December 31, 2023 and December 31, 2022, respectively.*

The table below shows the credit quality and aging analysis of the Group's financial assets:

| | December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Past Due But Not Impaired | | | | |
| | High Grade | Standard Grade | 1 – 60 Days | 61 – 90 Days | More than 90 Days | Allowance for ECL | Total |
| Lifetime ECL - | | | | | | | |
| Trade receivables | ₱– | 74,504,601 | ₱370,755 | ₱140,869 | ₱1,582,138 | ₱– | 76,491,779 |
| Contract assets | – | 55,012,741 | – | – | 9,733,811 | – | 64,746,552 |
| | – | 129,410,758 | 370,755 | 140,869 | 11,315,949 | – | 141,238,331 |
| 12–month ECL: | | | | | | | |
| Cash in banks | 38,209,543 | – | – | – | – | – | 38,209,543 |
| Fund held in escrow | 526,537,923 | | | | | | 526,537,923 |
| Due from related parties | – | 132,849,778 | – | – | – | – | 132,849,778 |
| Refundable deposits | – | 494,040 | – | – | – | – | 494,040 |
| Receivables from contractors | – | 65,941,707 | – | – | – | – | 65,941,707 |
| Restricted cash | 8,941,245 | – | – | – | – | – | 8,941,245 |
| | 573,688,711 | 199,285,525 | – | – | – | – | 772,974,236 |
| | ₱573,688,711 | ₱328,696,283 | ₱370,755 | ₱140,869 | ₱11,315,949 | ₱– | ₱914,212,567 |

| | December 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Past Due But Not Impaired | | | | |
| | High Grade | Standard Grade | 1 – 60 Days | 61 – 90 Days | More than 90 Days | Allowance for ECL | Total |
| Lifetime ECL - | | | | | | | |
| Trade receivables | ₱– | ₱72,086,805 | ₱359,238 | ₱136,493 | ₱1,532,988 | ₱– | ₱74,115,524 |
| Contract assets | – | 54,440,516 | – | – | – | – | 54,440,516 |
| | – | 126,527,321 | 359,238 | 136,493 | 1,532,988 | – | 128,556,040 |
| 12–month ECL: | | | | | | | |
| Cash in banks | 82,329,855 | – | – | – | – | – | 82,449,855 |
| Due from related parties | – | 51,700,660 | – | – | – | – | 51,700,660 |
| Refundable deposits | – | 494,040 | – | – | – | – | 494,040 |
| Receivables from contractors | – | 65,941,707 | – | – | – | – | 65,914,707 |
| Restricted cash | 8,704,590 | – | – | – | – | – | 8,704,590 |
| | 91,034,445 | 52,194,700 | – | – | – | – | 209.170.852 |
| | ₱91,034,445 | ₱178,722,021 | ₱359,238 | ₱136,493 | ₱1,532,988 | ₱– | ₱337.726.892 |

The Group's financial assets are categorized based on the Group's collection experience with the counterparties as follows:

a. High Grade – settlements are obtained from counterparty following the terms of the contracts without much collection effort.

b. Standard Grade – some reminder follow–ups are performed to obtain settlement from the counterparty.

c. Past Due But Not Impaired – items with history of frequent defaults but are still being collected.

*Cash and Cash Equivalents, Short-term Investment and Restricted Cash.* The credit risk for cash and cash equivalents, short-term investment, financial assets at FVPL and restricted cash is considered negligible because the counterparties are reputable banks with high quality external credit ratings. Thus, the impairment loss is limited to 12-month ECL.

*Due from Related Parties.* The exposure on due from related parties, which are measured and classified as financial assets at amortized cost, are assumed to have low credit risk because the related parties have sufficient cash and other liquid assets to repay the loan immediately. Thus, the impairment loss is limited to 12-month ECL.

**Liquidity Risk**

Liquidity risk arises from the Group's inability to raise sufficient funds at the least possible cost to meet its financial commitments. The Group's objectives in liquidity management are: (a) to ensure that adequate funds are available to meet expiring obligations; (b) to meet the commitments as they arise without incurring unnecessary costs; and (c) to be able to access additional funding when needed at the least possible cost.

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 2023 and December 31, 2022:

| | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | **Due and Demandable** | **Less than 1 year** | **1–2 years** | **2–3 years** | **Over 3 years** | **Total** |
| Trade and other payables* | **₱–** | **615,091,790** | **₱–** | **₱–** | **₱–** | **₱615,091,790** |
| Loans payable** | **–** | **386,012,085** | **199,757,908** | **836,908,872** | **1,215,971,188** | **2,638,650,053** |
| Retention payable - net of current portion | **–** | **89,826,865** | **(9,360,155)** | **–** | **–** | **80,466,710** |
| Due to related parties | **778,434,703** | **–** | **–** | **–** | **–** | **778,434,703** |
| | **₱778,434,703** | **₱1,090,930,740** | **₱190,397,753** | **₱836,908,872** | **₱1,215,971,188** | **₱4,112,643,256** |

**Excluding statutory payables amounting to ₱710,698 as at December 31, 2023.*
*** Includes payment of interest.*

| | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Due and Demandable | Less than 1 year | 1–2 years | 2–3 years | Over 3 years | Total |
| Trade and other payables* | ₱– | ₱414,320,492 | ₱– | ₱– | ₱– | ₱414,320,492 |
| Loans payable** | – | 312,466,854 | 161,698,889 | 677,456,205 | 984,297,399 | 2,135,919,347 |
| Retention payable - net of current portion | – | 42,319,262 | 7,594,947 | – | – | 49,914,209 |
| Due to related parties | 759,080,119 | – | – | – | – | 759,080,119 |
| | ₱759,080,119 | ₱769,106,608 | ₱169,293,836 | ₱677,456,205 | ₱984,297,399 | ₱3,359,234,167 |

**Excluding statutory payables amounting to ₱14,932,795 as at December 31, 2022.*
*** Includes payment of interest.*

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

**Interest Rate Risk**
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's market risk policy requires it to manage interest rate risk by maintaining appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and liabilities. Any gap between the maturities of fixed and variable rate instruments is effectively managed by the Group.

**Capital Management**
The primary objective of the Group's capital management is to ensure that it maintains strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Group regularly monitors its capital position and assesses business conditions to ensure early detection and determination of risks and its consequent adverse impact. The Group adopts measures, as deemed necessary and appropriate, to mitigate risks.

In determining reasonable leverage, the Group evaluates its cost of capital and manages its level of debt to maintain an optional cost of capital based in current conditions. The Group considers its equity as capital amounting to ₱2,115,184,686 and ₱964,807,491 as at December 31, 2023 and December 31, 2022, respectively.

The Group is required to maintain debt-to-equity ratios in accordance with its loan agreements (see Note 13).

## 23. Fair Value Measurement

The carrying amounts and estimated fair values of the Group's financial assets and financial liabilities are presented below:

| | **December 31, 2023** | | December 31, 2022 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| **Financial Assets** | | | | |
| Cash | **₱44,888,443** | **₱44,888,443** | ₱82,783,712 | ₱82,783,712 |
| Fund held in escrow | **526,537,923** | **526,537,923** | **–** | **–** |
| Trade receivables | **76,491,779** | **76,491,779** | 74,115,524 | 74,115,524 |
| Contract assets | **64,746,552** | **64,746,552** | 54,440,516 | 54,440,516 |
| Due from related parties | **132,849,552** | **132,849,778** | 51,700,660 | 51,700,660 |
| Refundable deposit | **494,040** | **494,040** | 494,040 | 494,040 |
| Receivables from contractors | **65,941,707** | **65,941,707** | 65,941,707 | 65,941,707 |
| Restricted cash | **8,941,245** | **8,941,245** | 8,704,590 | 8,704,590 |
| | **₱920,891,467** | **₱920,891,467** | ₱338,060,749 | ₱338,060,749 |
| **Financial Liabilities** | | | | |
| Trade and other payables* | **₱615,091,790** | **₱516,091,790** | ₱414,320,492 | ₱414,320,492 |
| Loans payable | **1,783,605,790** | **2,049,141,297** | 1,442,685,889 | 1,460,474,270 |
| Due to related parties | **778,434,703** | **778,434,703** | 759,080,119 | 759,080,119 |
| Retention payable - net of current portion | **80,466,710** | **80,466,710** | 49,914,209 | 49,914,209 |
| | **₱3,257,598,993** | **₱3,523,134,500** | ₱2,666,000,709 | ₱2,683,789,090 |

**Excludes statutory payables amounting to ₱710,698 and ₱14,932,795 as at December 31, 2023 and December 31, 2022, respectively.*

Management has determined that the carrying amounts of cash, trade receivables, contract assets, due from related parties, refundable deposit, receivables from contractors, trade and other payables (excluding statutory payables), due to related parties, and current portion of retention payable approximate their fair values because of their short-term maturities.

The fair value of the loans payable is classified under level 2 (significant observable inputs) of the fair value hierarchy. The fair value is the present value of all future cash flows discounted using applicable rates for similar types of loans.

## 24. Basic/Diluted Earnings per Share

The following table presents information necessary to calculate income per share:

| | **December 31** | |
|---|---|---|
| | **2023** | 2022 |
| Net income from continuing operations | **₱165,119,223** | ₱128,032,165 |
| Discontinued operations | **–** | 23,108,179 |
| | **165,119,223** | 151,140,344 |
| Weighted average number of common shares | **508,333,334** | 425,000,000 |
| Basic/diluted earnings per share from continuing operations | **₱0.32** | ₱0.30 |
| Basic/diluted earnings per share | **₱0.32** | ₱0.36 |

Earnings per share is calculated using the net income divided by the weighted average number of common shares. The Group has assessed that there were no dilutive common shares as at December 31, 2023 and December 31, 2022.

## 25. Segment Reporting

For management reporting purposes, the Group is organized based on its activities and has one operating segment which is the renewable energy generation segment. This segment undertakes the generation of electricity through hydroelectric power plants which are within the Group's country of domicile.

# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## FINANCIAL SOUNDNESS INDICATORS

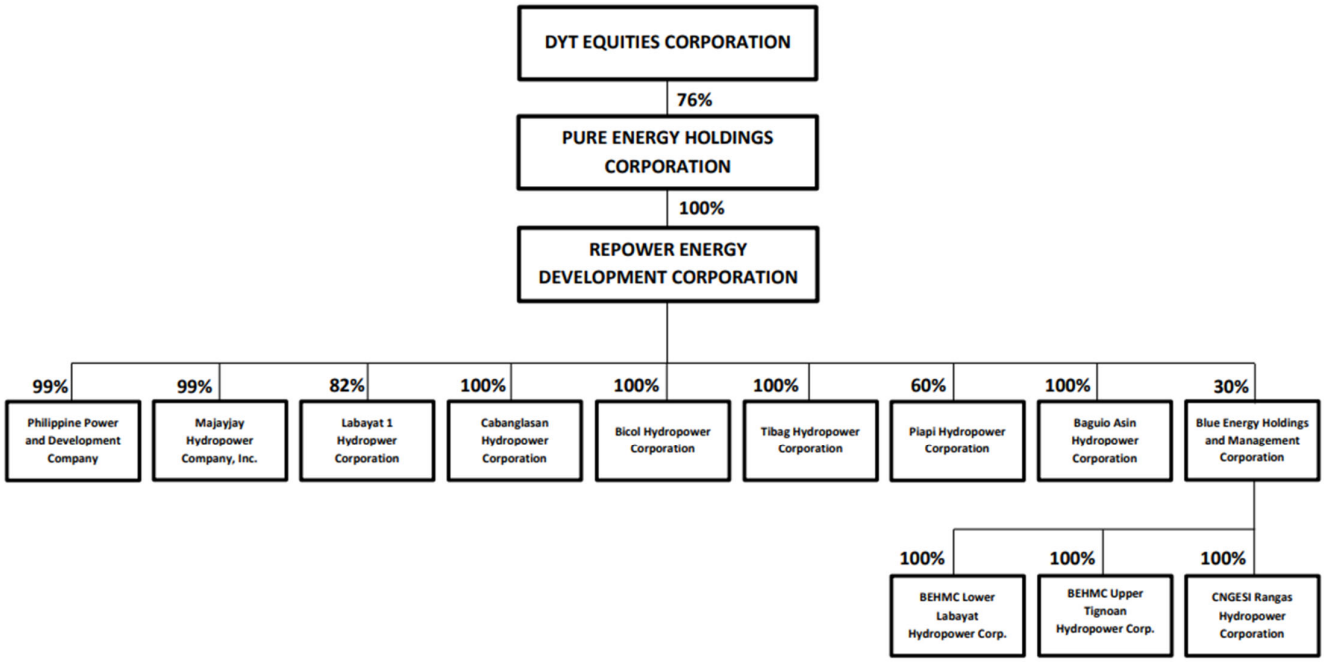
Below is a schedule showing financial soundness indicators of the Group as at and for the periods ended December 31, 2023 and December 31, 2022.

| Ratio | Formula | **December 31, 2023** | December 31, 2022 |
|---|---|---|---|
| Current ratio | Current assets/current liabilities | **0.29:1** | 0.24:1 |
| Acid test ratio | Quick assets/current liabilities | **0.20:1** | 0.20:1 |
| Solvency ratios | Net income before amortization and depreciation/total liabilities | **0.08:1** | 0.09:1 |
| Debt-to-equity ratio | Total liabilities/total equity | **1.55:1** | 2.78:1 |
| Asset-to-equity ratio | Total assets/total equity | **2.55:1** | 3.78:1 |
| Interest rate coverage ratio | Net income before tax expense/interest expense | **2.38:1** | 1.98:1 |
| Return on equity | Net income/shareholder's equity | **0.08:1** | 0.18:1 |
| Return on assets | Net income/total assets | **0.03:1** | 0.05:1 |
| Net profit margin | Revenue less cost/revenue | **0.71:1** | 0.73:1 |

# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## CONGLOMERATE MAP

**DECEMBER 31, 2023**



# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II of the REVISED SRC RULE 68

**DECEMBER 31, 2023**

**Table of Contents**


| *Schedule* | *Description* | *Page* |
|---|---|---|
| A | Financial Assets | N/A |
| B | Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties) | N/A |
| C | Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements | 1 |
| D | Long-Term Debt | 2 |
| E | Indebtedness to Related Parties (Long-Term loans from Related Parties) | N/A |
| F | Guarantees of Securities of Other Issuers | N/A |
| G | Capital Stock | 3 |

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS

**DECEMBER 31, 2023**

| | | | *Deductions* | | *Ending Balance* | | |
|---|---|---|---|---|---|---|---|
| ***Name and designation of debtor*** | ***Balance at beginnning of period*** | ***Additions*** | ***Amounts collected*** | ***Amounts written off*** | ***Current*** | ***Noncurrent*** | ***Balance at end of period*** |
| Subsidiaries | ₱593,179,123 | ₱146,858,409 | ₱(266,873,252) | ₱– | ₱418,197,144 | ₱– | ₱418,497,144 |

# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## SCHEDULE D – LONG TERM DEBT

### DECEMBER 31, 2023

| *Title of Issue and Type of Obligation* | *Amount Authorized by Indenture* | *Amount shown under caption "Current portion of Loans payable" in related balance sheet* | *Amount shown under caption "Loans payable - net of current portion " in related balance sheet* |
|---|---|---|---|
| Local creditor banks | ₱1,782,250,441 | ₱114,880,390 | ₱1,667,370,051 |

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## SCHEDULE G – CAPITAL STOCK

**DECEMBER 31, 2023**

| | | | | Number of shares held by | | |
|---|---|---|---|---|---|---|
| ***Title of Issue*** | ***Number of shares authorized*** | ***Number of shares issued and outstanding as shown under the related statement of financial position caption*** | ***Number of shares reserved for options,warrants, conversion and other rights*** | ***Related parties*** | ***Directors, officers and employees*** | ***Others*** |
| Common stock - ₱1 par value | 750,000,000 | 650,000,002 | – | 439,999,995 | 5 | 210,000,002 |

# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS OF PARENT COMPANY AVAILABLE FOR DIVIDEND DECLARATION
## DECEMBER 31, 2023

| | |
|---|---|
| Retained earnings, as shown in the separate financial statements at beginning of period | (₱175,233,903) |
| Adjustment for - | |
| Accumulated share in net loss of an associate | 11,213,667 |
| Retained earnings, as adjusted to amount available for dividend declaration, at beginning of year | (164,020,236) |
| Net loss during the year closed to retained earnings | (18,588,368) |
| Less non-actual/unrealized income net of tax - | |
| Share in net loss of an associate | 3,612,394 |
| Net income actually earned during the period | (14,975,974) |
| Retained earnings available for dividend declaration, at end of period | (₱178,996,210) |

# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## SUPPLEMENTARY SCHEDULE OF APPLICATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING
## DECEMBER 31, 2023

| | Estimated | Actual | Balance |
|---|---|---|---|
| Gross proceeds | ₱1,000,000,000 | ₱1,000,000,000 | ₱– |
| Offer expenses | 50,500,000 | 50,500,000 | – |
| **Net proceeds** | **₱949,500,000** | **₱949,500,000** | **₱–** |
| | | | |
| Net proceeds allocation: | | | |
| Partial funding for Pulanai MHP Project | ₱600,000,000 | ₱314,880,000 | ₱285,120,000 |
| Partial funding for Piapi MHP Project | 100,000,000 | 53,000,000 | 47,000,000 |
| Development and acquisition of renewable energy projects | 150,000,000 | 5,220,000 | 144,780,000 |
| Operating and working capital requirements | 99,500,000 | 50,000,000 | 49,500,000 |
| | **₱949,500,000** | **₱423,100,000** | **₱526,400,000** |

## Section 2.

# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

AS AT DECEMBER 31, 2023 AND DECEMBER 31, 2022 AND
FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 2023 AND 2022

1. **Financial Condition**

**As at December 31, 2023 Compared to as at December 31, 2022**

The total assets of Repower Energy Development Corporation and Subsidiaries (the Group) expanded by ₱1.764 million (+48%) from December 31, 2022 due mainly to the receipt of proceeds from the initial public offering (IPO) on July 24, 2023.

Material changes in asset accounts are analyzed as follows:

a. The net decrease in cash of ₱37.8 million (-46%) is due to:
   i. Net increase in operational cash flows as a result of net income generated from the operating segments and continuing operations;
   ii. Cash inflows from issuance of common stock with gross amount of ₱1,000.0 million; and
   iii. Additions to property and equipment aggregating ₱936 million.

b. The net increase in due from related parties of ₱81.1 million (+156%) is due to working capital funds advanced to entities under common control to sustain operations. These advances are due and demandable and unimpaired.

c. Other current assets increased by ₱21.5 million (+18%) mainly due to increases in advances made to contractors and suppliers consistent with the Group's plan to expand its hydropower operations. The net increase in other noncurrent assets of ₱9.13 million (+98%) is a result of set-up of fund held in escrow.

d. Net decrease in property, plant and equipment by ₱306 million (-61%) represent the reclassification to hydropower plants.

The total liabilities of the Group increased by ₱608.5 million (+23%) due primarily to availments of loans and advances from related parties. Material changes in liability accounts are analyzed as follows:

a. Net increase in trade and other payables amounting to ₱191.3 million (+44%) resulted from recording of progress billings from various contractors and suppliers.

b. Net increase in loans payable by ₱349.0 million (+26%) and due to related parties by ₱19 million (+2.5%) resulted from availments for various purposes but mainly as part of the Group's operational expansion. The increase was also partly due to the advances made by related parties under common control and of the stockholders which may be recognized as deposits for future stock subscription upon application for increase in capital stock, if any.

c. Noncurrent portion of retention payable also decreased by ₱30.5 million (+61%) due to settlement of contractor billings related to ongoing construction projects.

The Group's total equity increased by ₱1.156 million (+120%) as a direct result of the issuance of shares during the Group's IPO. The net proceeds from the IPO amounted to ₱949.5 million which was accounted for under capital stock and additional paid-in capital accounts. Retained earnings of the Group and the non-controlling interest accounts increased as a result of the net income earned during the period.

Relevant financial ratios related to the Group's financial position are liquidity ratio, solvency ratio, debt-to-equity ratio and asset-to-equity ratio.

As a result of receiving proceeds from the IPO, the Group's liquidity ratios (current and acid test ratios) improved from 0.24:1 and 0.20:1 as at December 31, 2022 to 0.29:1 and 0.20:1 as at December 31, 2023 due mainly to availability of liquid funds.

The solvency ratio is 0.09:1 and 0.08:1 as at December 31, 2023 and December 31, 2022, respectively.

The debt-to-equity ratio of 1.55:1 as at December 31, 2023 compared to the 2.78:1 as at December 31, 2022 shows the impact of the increases of the liability balances of the Group.

The asset-to-equity ratio of the Group decreased from 3.78:1 as at December 31, 2022 to 2.55:1 as at December 31, 2023 which was partially impacted by the Group's IPO.

## 2. Results of Operations

**For the Twelve-month Period Ended December 31, 2023 Compared to for the Twelve-month Period Ended December 31, 2022**

The Group generated a total of ₱456.6 million revenues from its operations for the twelve-month period ended December 31, 2023 which is ₱74.60 million (+19.5%) higher than the revenue generated for the same period in the prior year. Consequently, gross income is higher by ₱47.64 million (+17%). The total comprehensive income of the Group for the twelve-month period ended December 31, 2023 registered at ₱172.78 million which is ₱4.8 million (+3%) higher than that of the previous year for the same period.

Key factors to the changes of the items above are as follows:

a. Revenue increased mainly as a result of higher electric generation of the Group. The increase in is also brought about by the increased capacity from the L1HC and BHC operations. As a result of increased revenue, the cost also increased during the period.

b. Operating expenses increased by ₱39.67 million (+74%). This increase can be attributed to the Group's thrust to progress the status of its operations. During the period, the Group increased its spending on salaries and wages, outside services, and professional fees. There were also significant increases in insurance, taxes and licenses, rental, depreciation and amortization, transportation and meals, and communication and utilities.

c. Interest expense increased by ₱5.87 million (+9%) as a result of incurring more costs of borrowing related to the ongoing construction projects. The Group entered into various loan contracts with local creditor banks to finance the construction and rehabilitation of various projects, with interest rates ranging from 5.5% to 11% per annum, and with terms ranging from 3 to 15 years.

The resulting basic and diluted earnings per share of the Group decreased from 0.36 per share to 0.32 per share. This is due to the decrease in the income non-controlling.

Relevant profitability ratios related to the Group's financial performance are return on equity, return on total assets and net income margin.

The return on equity of the Group remained relatively the same at 0.08:1 and 0.18:1 across the periods since the net income increased in proportion to the increase in the capital stock and additional paid-in capital. Consequently, the return on assets decreased from 0.03:1 to 0.05:1 across the periods.

Net income margin increased to 0.71:1 from 0.73:1 across the periods due to the improvement in the results of operations.

## 3. OTHER DISCLOSURES

There were no material events subsequent to the end of the interim period that have not been reflected in the unaudited interim financial statements.

There were material changes in the composition of the Group during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

The Group has no contingent liabilities or contingent assets as at December 31, 2023.

There are no material contingencies and any other events or transactions that are material to the understanding of the current interim period.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

There are no material commitments for capital expenditures which are out of the scope of the use of proceeds from the IPO.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net revenues or income from continuing operations.

All significant elements of income or loss were generated from the Group's registered and continuing business operations.

Aside from the resulting effects of the IPO of the Group, there are no other nonrecurring or seasonal aspects that had a material effect on the financial condition or results of operations.

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on _____, 20___.

30 APR 2024

By:

**RENATO Z. LOCSIN**
Chairman of the Board

**ERIC PETER Y. ROXAS**
President

**ROLANDO P. DOMINGO**
Chief Financial Officer

**ANN MARGARET K. LORENZO**
Corporate Secretary

30 APR 2024

**SUBSCRIBED AND SWORN** to before me this ___ day of _____, 20___ affiant(s) exhibiting to me his/ their Tax Identification Number, as follows:

| **NAMES** | **TAX IDENTIFICATION NUMBER** |
|---|---|
| RENATO Z. LOCSIN | 187-939-916-000 |
| ERIC PETER Y. ROXAS | 106-207-301-000 |
| ROLANDO P. DOMINGO | 105-777-920-000 |
| ANN MARGARET K. LORENZO | 274-323-370-000 |

FERDINAND D. AYAHAO
Notary Public
For and in Pasig City and the Municipality of Pateros
Appointment No.96 (2024-2025) valid until 12/31/2025
MCLE Exemption No. VIII-EEP003234, until 04/14/28
Roll No. 46377; IBP PRN 02459; OR 535886; 06/21/2001
TIN 123-011-785; PTR 1634583AA; 01/03/24; Pasig City
Unit 5, West Tower PSE, Exchange Road
Ortigas Center, Pasig City Tel.+632-86314090

Doc. No. 187;
Page No. 39;
Book No. 44;
Series of 2024.

# COVER SHEET

## for

## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| C | S | 2 | 0 | 1 | 3 | 1 | 0 | 1 | 2 | 4 |
|---|---|---|---|---|---|---|---|---|---|---|

**COMPANY NAME**

REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

**PRINCIPAL OFFICE** *(No./Street/Barangay/City/Town/Province)*

3RD FLOOR JTKC CENTER, 2155 CHINO ROCES AVE., MAKATI CITY

| Form Type | Department Requiring the Report | Secondary License Type, If Applicable |
|---|---|---|
| AACFS | CRMD | N/A |

**COMPANY INFORMATION**

| Company's Email Address | Company's Telephone Number/s | Mobile Number |
|---|---|---|
| rolando.domingo@pureenergy.com.ph | (02) 8813-8892 | 0917-830-1613 |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 55 | June 30 | December 31 |

**CONTACT PERSON INFORMATION**

The designated contact person ***MUST*** be an Officer of the Corporation

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Rolando P. Domingo | rolando.domingo@pureenergy.com.ph | (02) 8813-8892 | 0917-830-1613 |

**CONTACT PERSON'S ADDRESS**

3rd Floor JTKC Center, 2155 Chino Roces Ave., Makati City

***NOTE 1***: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

***NOTE 2:*** *All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.*

**REPOWER ENERGY DEVELOPMENT CORPORATION**

## "STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS"

The Management of **REPOWER ENERGY DEVELOPMENT CORPRATION AND A SUBSIDIARY** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible in overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders for the years ended December 31, 2023 and 2022, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature: Renato Z. Locsin
Chairman of the Board

Signature: Eric Peter Y. Roxas
President

Signature: Suzanne S. Cañete
Treasurer

SUBSCRIBE AND SWORN to before me, this 25 APR 2024 day of _____ in the MAKATI

Signed this _____ day of _____

ATTY JOSHUA P. LAPUZ
NOTARY PUBLIC FOR MAKATI CITY
UNTIL 12-31-24
APPOINTMENT NO. M-178/2023 2024
IBP LIFETIME NO 04887
PTR O.R. NO. 9563523/01-03-24/ MAKATI CITY
MCLE NO VIII-0016370/04 26 24 UNTIL 04-14-25
G/F FEDMAN SUITES, 199 SALCEDO ST.
LEGASPI VILLAGE MAKATI CITY

DOC. NO.: 184
PAGE NO.: 38
BOOK NO.: IV
SERIES OF: 2024

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
August 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1226 Philippines
**Phone** : +632 8 982 9100
**Fax** : +632 8 982 9111
**Website** : www.reyestacandong.com

# INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Repower Energy Development Corporation and Subsidiaries
3rd Floor JTKC Center
2155 Chino Roces Ave.
Makati City

*Opinion*

We have audited the consolidated financial statements of Repower Energy Development Corporation (the Parent Company) and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2023, 2022 and 2021, and notes to consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023, 2022 and 2021 in accordance with Philippine Financial Reporting Standards (PFRS).

*Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**Reyes Tacandong & Co.** is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

Assessing the Recoverability of Goodwill

The Group is required to assess at each reporting date the recoverability of goodwill. As at December 31, 2023, the carrying amount of goodwill amounted to ₱136.0 million. This matter is considered significant to our audit because the assessment of the recoverability of goodwill involves the exercise of significant management judgments and estimates, which are subject to a high level of estimation uncertainty.

Our audit procedures include, among others, reviewing management's assessment of the recoverable amount of goodwill. We evaluated the appropriateness of the assumptions used by the Group in the impairment assessment, in particular those involving the forecasted cash flows from existing hydropower service contracts, discount rate, and other areas to which the outcome of the impairment test is most sensitive. We also reviewed the adequacy of the Group's related disclosures in Note 2, *Summary of Material Accounting Policy Information*, Note 3, *Significant Judgments, Accounting Estimates and Assumptions* and Note 4, *Goodwill*, to the consolidated financial statements.

Accounting of Proceeds from the Initial Public Offering (IPO)

As discussed in Note 1 to the financial statements, the shares of stock of the Parent Company was listed with the Philippine Stock Exchange (PSE) through an initial public offering in July 2023. The proceeds from the IPO amounted to ₱949.5 million, net of transaction costs incidental to the IPO amounting to ₱50.5 million. The accounting for the IPO proceeds and its use is considered as a key audit matter because the amount of proceeds from the IPO is substantial in relation to the financial statements. Moreover, the Parent Company is required to adhere to the approved use of proceeds.

We performed audit procedures to validate the receipt and recording of the proceeds from the IPO. We obtained confirmation from the escrow agent for the unspent proceeds, and checked the nature and validated the underlying documents of the actual disbursements of the proceeds in 2023. We also verified if the disbursements are in line with the approved purpose and use of the proceeds. We also checked the adequacy of the disclosures in the financial statements of the IPO-related transactions in Note 7, *Funds Held in Escrow*, and Note 16, *Equity*, to the consolidated financial statements.

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audits. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Arthur Vinson U. Ong.

**REYES TACANDONG & CO.**

ARTHUR VINSON U. ONG
Partner
CPA Certificate No. 120745
Tax Identification No. 253-222-555-000
BOA Accreditation No. 4782/P-018; Valid until June 6, 2026
BIR Accreditation No. 08-005144-015-2023
Valid until June 4, 2026
PTR No. 10072419
Issued January 2, 2024, Makati City

April 18, 2024
Makati City, Metro Manila

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Note | December 31 2023 | 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash | 6 | **₱44,888,443** | ₱82,663,712 |
| Funds held in escrow | 7 | **526,537,923** | – |
| Trade and other receivables | 8 | **132,814,321** | 129,679,951 |
| Due from related parties | 20 | **132,849,778** | 51,700,660 |
| Other current assets | 9 | **139,741,747** | 118,217,590 |
| Total Current Assets | | **976,832,212** | 382,261,913 |
| **Noncurrent Assets** | | | |
| Investments in an associate | 10 | **40,365,139** | 43,977,533 |
| Property, plant and equipment | 11 | **3,976,619,647** | 3,040,461,429 |
| Advances to contractors and suppliers - net of current portion | 12 | **267,167,509** | 37,884,825 |
| Goodwill | 4 | **135,950,686** | 135,950,686 |
| Other noncurrent assets | 9 | **17,330,755** | 9,321,668 |
| Total Noncurrent Assets | | **4,437,433,736** | 3,267,596,141 |
| | | **₱5,414,265,948** | ₱3,649,858,054 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Current portion of loans payable | 14 | **₱114,880,390** | ₱122,956,289 |
| Trade and other payables | 13 | **620,793,590** | 429,253,287 |
| Due to related parties | 20 | **778,434,703** | 759,080,119 |
| Income tax payable | | **–** | 3,246,880 |
| Total Current Liabilities | | **1,514,108,683** | 1,314,536,575 |
| **Noncurrent Liabilities** | | | |
| Loans payable - net of current portion | 14 | **1,668,725,400** | 1,319,729,600 |
| Contract liability | 23 | **26,113,488** | – |
| Retention payable - net of current portion | 13 | **80,466,710** | 49,914,209 |
| Retirement liability | 15 | **5,088,972** | – |
| Net deferred tax liabilities | 22 | **2,200,040** | 4,117,059 |
| Total Noncurrent Liabilities | | **1,782,594,610** | 1,373,760,868 |
| Total Liabilities | | **3,296,703,293** | 2,688,297,443 |
| **Equity** | | | |
| Capital stock | 16 | **650,000,002** | 450,000,000 |
| Additional paid-in capital | 16 | **1,095,920,304** | 324,901,466 |
| Retained earnings | | **278,571,843** | 114,727,620 |
| Other equity reserve | 4 | **(39,802,416)** | (39,802,416) |
| Other comprehensive income | | **579,425** | – |
| | | **1,985,269,158** | 849,826,670 |
| Non-controlling interests | 5 | **132,293,497** | 111,733,941 |
| Total Equity | | **2,117,562,655** | 961,560,611 |
| | | **₱5,414,265,948** | ₱3,649,858,054 |

*See accompanying Notes to Consolidated Financial Statements.*

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | | For the Years Ended December 31 | | |
|---|---|---|---|---|
| | Note | **2023** | 2022 | 2021 |
| **REVENUE** | 23 | | | |
| Sale of electricity | | **₱467,810,661** | ₱382,042,042 | ₱233,281,590 |
| Feed-in-tariff (FIT) rate differential | | **(11,171,852)** | – | – |
| | | **456,638,809** | 382,042,042 | 233,281,590 |
| **COST OF SALE OF ELECTRICITY** | 17 | **131,829,830** | 104,870,426 | 65,745,842 |
| **GROSS INCOME** | | **324,808,979** | 277,171,616 | 167,535,748 |
| **OPERATING EXPENSES** | 18 | **(93,094,648)** | (53,426,762) | (38,512,579) |
| **INTEREST EXPENSE** | 14 | **(70,683,528)** | (64,810,725) | (46,627,218) |
| **EQUITY SHARE IN NET LOSS OF ASSOCIATES** | 10 | **(3,612,394)** | (1,851,794) | (10,184,468) |
| **OTHER INCOME** - Net | 19 | **12,849,902** | 2,728,941 | 7,205,601 |
| **INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS** | | **170,268,311** | 159,811,276 | 79,417,084 |
| **INCOME TAX EXPENSE (BENEFIT)** | 22 | | | |
| Current | | **–** | 3,246,880 | – |
| Deferred | | **(1,917,018)** | 504,650 | (71,436) |
| | | **(1,917,018)** | 3,751,530 | (71,436) |
| **NET INCOME FROM CONTINUING OPERATIONS** | | **172,185,329** | 156,059,746 | 79,488,520 |
| **NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS** | 21 | **–** | 11,939,731 | (24,208,760) |
| **NET INCOME** | | **172,185,329** | 167,999,477 | 55,279,760 |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| *Not to be reclassified to profit or loss in subsequent periods* | | | | |
| Remeasurement gain on retirement liability | 15 | **600,997** | – | – |
| **TOTAL COMPREHENSIVE INCOME** | | **₱172,786,326** | ₱167,999,477 | ₱55,279,760 |

| | | For the Years Ended December 31 | | |
|---|---|---|---|---|
| | Note | **2023** | 2022 | 2021 |
| **NET INCOME (LOSS) ATTRIBUTABLE TO:** | | | | |
| Equity holders of the Parent Company | | **₱165,119,223** | ₱151,140,344 | ₱67,289,249 |
| Non-controlling interest | 5 | **7,066,106** | 16,859,133 | (12,009,489) |
| | | **₱172,185,329** | ₱167,999,477 | ₱55,279,760 |
| **TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:** | | | | |
| Equity holders of the Parent Company | | **₱165,698,648** | ₱151,140,344 | ₱67,289,249 |
| Non-controlling interest | 5 | **7,087,678** | 16,859,133 | (12,009,489) |
| | | **₱172,786,326** | ₱167,999,477 | ₱55,279,760 |
| **BASIC/DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS** | 26 | ₱0.32 | ₱0.30 | ₱0.53 |
| **BASIC/DILUTED EARNINGS PER SHARE** | 26 | ₱0.32 | ₱0.36 | ₱0.45 |

*See accompanying Notes to Consolidated Financial Statements.*

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | | For the Years Ended December 31 | | |
|---|---|---|---|---|
| | Note | **2023** | 2022 | 2021 |
| **CAPITAL STOCK** - ₱1 par value | 16 | | | |
| Balance at beginning of year | | **₱450,000,000** | ₱150,000,000 | ₱150,000,000 |
| Issuances of shares | | **200,000,002** | 300,000,000 | – |
| Balance at end year | | **650,000,002** | 450,000,000 | 150,000,000 |
| **ADDITIONAL PAID-IN CAPITAL** | | | | |
| Balance at beginning of year | | **324,901,466** | 200,000,000 | 200,000,000 |
| Additions | 16 | **800,000,000** | 124,901,466 | – |
| Stock issuance costs | 16 | **(28,981,162)** | – | – |
| Balance at end of year | | **1,095,920,304** | 324,901,466 | 200,000,000 |
| **RETAINED EARNINGS (DEFICIT)** | | | | |
| Balance at beginning of year | | **114,727,620** | (36,412,724) | (103,701,973) |
| Net income attributable to equity holders of the Parent Company | | **165,119,223** | 151,140,344 | 67,289,249 |
| Stock issuance costs | | **(1,275,000)** | – | – |
| Balance at end of year | | **278,571,843** | 114,727,620 | (36,412,724) |
| **DEPOSIT FOR FUTURE STOCK SUBSCRIPTION** | 20 | | | |
| Balance at beginning of year | | **–** | 424,901,466 | 424,901,466 |
| Application of deposit | | **–** | (424,901,466) | – |
| Balance at end of year | | **–** | – | 424,901,466 |
| **OTHER EQUITY RESERVE** | 4 | | | |
| Balance at beginning of year | | **(39,802,416)** | (8,820,817) | (8,820,817) |
| Additions | | **–** | (30,981,599) | – |
| Balance at end of year | | **(39,802,416)** | (39,802,416) | (8,820,817) |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| Remeasurement gain on retirement liability and balance at end of year | | **579,425** | – | – |
| **EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY** | | **1,985,269,158** | 849,826,670 | 729,667,925 |
| **NON-CONTROLLING INTERESTS** | 5 | | | |
| Balance at beginning of year | | **111,733,941** | 196,406,485 | 207,830,403 |
| Additions | | **22,471,878** | – | 585,571 |
| Share in dividends declared by a subsidiary | | **(9,000,000)** | – | – |
| Net income (loss) | | **7,066,106** | 16,859,133 | (12,009,489) |
| Share in other comprehensive income | | **21,572** | – | – |
| Acquisition of remaining NCI of a subsidiary | | **–** | (97,403) | – |
| Deconsolidation of Pure Meridian Holdings Corporations (PMHC) and its subsidiaries | | **–** | (101,434,274) | – |
| Balance at end of year | | **132,293,497** | 111,733,941 | 196,406,485 |
| | | **₱2,117,562,655** | ₱961,560,611 | ₱926,074,410 |

*See accompanying Notes to Consolidated Financial Statements.*

# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | | For the Years Ended December 31 | | |
|---|---|---|---|---|
| | Note | **2023** | 2022 | 2021 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Income before income tax from continuing operations | | **₱170,268,311** | ₱159,811,276 | ₱79,417,084 |
| Net income (loss) from discontinued operations | 21 | **–** | 11,939,731 | (24,208,760) |
| Income before income tax | | **170,268,311** | 171,751,007 | 55,208,324 |
| Adjustments for: | | | | |
| Depreciation and amortization | 11 | **82,440,907** | 73,428,549 | 41,981,072 |
| Interest expense | 14 | **70,683,528** | 86,689,447 | 67,947,393 |
| Gain on insurance proceeds | 11 | **(4,739,996)** | – | – |
| Retirement benefits | 15 | **5,689,969** | – | – |
| Equity share in net loss of associates | 10 | **3,612,394** | 1,851,794 | 10,184,468 |
| Provision for impairment of input value-added tax (VAT) | 9 | **1,241,757** | – | – |
| Write-off of input VAT | 9 | **1,709,636** | 1,518,416 | – |
| Interest income | 6 | **(178,093)** | (37,522) | (136,024) |
| Gain from deconsolidation of PMHC and Subsidiaries | 21 | **–** | (34,276,628) | – |
| Gain on disposal of a subsidiary and an associate | 10 | **–** | (4,218,750) | (6,194,598) |
| Unrealized foreign exchange loss | | **–** | 1,580 | – |
| Operating income before working capital changes | | **330,728,413** | 296,707,893 | 168,990,635 |
| Decrease (increase) in: | | | | |
| Funds held in escrow | | **(526,537,923)** | – | – |
| Trade and other receivables | | **(3,134,370)** | 34,393,659 | (72,772,173) |
| Other current assets | | **1,470,233** | (19,570,496) | (838,477) |
| Increase in trade and other payables | | **188,368,105** | 84,028,477 | 68,709,431 |
| Net cash generated from (used for) operations | | **(9,105,542)** | 395,559,533 | 164,089,416 |
| Proceeds from insurance claim | 11 | **4,739,996** | – | – |
| Interest received | | **178,093** | 37,522 | 136,024 |
| Net cash provided by (used in) operating activities | | **(4,187,453)** | 395,597,055 | 164,225,440 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Acquisitions of: | | | | |
| Property, plant and equipment - net of retention | 11 | **(910,331,191)** | (714,701,470) | (477,085,315) |
| Non-controlling interest | 4 | **–** | (18,134,558) | – |
| Investment in an associate | 10 | **–** | (16,791,200) | – |
| Subsidiary | 4 | **–** | – | (37,055,556) |
| Advances to contractors | 12 | **(313,634,956)** | (8,000,000) | (121,874,704) |
| Payments for additional other noncurrent assets | | **(8,009,087)** | – | (1,332,820) |
| Proceeds from disposal of: | | | | |
| Subsidiaries, net of cash of disposed subsidiary | 21 | **–** | 37,701,059 | 38,000,000 |
| Property, plant and equipment | 11 | **–** | 448,986 | – |
| Other noncurrent assets | | **–** | 243,037 | – |
| Advances made to related parties | | **(81,204,980)** | (2,862,064) | (16,102,057) |
| Collection of due from related parties | | **40,283,246** | 4,690,136 | 4,426,124 |
| Net cash used in investing activities | | **(₱1,272,896,968)** | (₱717,406,074) | (₱611,024,328) |

(Forward)

| | Note | For the Years Ended December 31 **2023** | 2022 | 2021 |
|---|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from: | | | | |
| Issuances of capital stock | 16 | **₱1,000,000,002** | ₱– | ₱– |
| Availment of loans payable | 14 | **466,000,000** | 352,493,751 | 525,320,000 |
| Advances received from related parties | 14,20 | **347,863,425** | 201,869,783 | 292,758,424 |
| Increase in non-controlling interest | | **–** | – | 585,571 |
| Payments of: | | | | |
| Due to related parties | 14 | **(328,508,841)** | (24,757,014) | (83,433,563) |
| Loans payable | 14 | **(122,956,290)** | (55,814,440) | (184,151,131) |
| Interest payable | 14 | **(88,382,447)** | (102,336,482) | (125,654,059) |
| Stock issuance costs | 16 | **(28,981,162)** | – | |
| Debt issue costs | 14 | **(5,725,535)** | (1,969,095) | (4,762,400) |
| Net cash provided by financing activities | | **1,239,309,152** | 369,486,503 | 420,662,842 |
| **EFFECTS OF FOREIGN EXCHANGE RATE CHANGES IN CASH** | | **–** | (1,580) | – |
| **NET INCREASE (DECREASE) IN CASH** | | **(37,775,269)** | 47,675,904 | (26,136,046) |
| **CASH AT BEGINNING OF YEAR** | | **82,663,712** | 34,987,808 | 61,123,854 |
| **CASH AT END OF YEAR** | | **₱44,888,443** | ₱82,663,712 | ₱34,987,808 |
| **NONCASH FINANCIAL INFORMATION** | | | | |
| Application of advances to contractors to property, plant and equipment | 12 | **₱58,406,489** | ₱94,601,209 | ₱– |
| Issuances of shares through application of deposit for future stock subscription (DFSS) | 20 | **–** | 424,901,466 | – |
| Transfer of loan to a related party | 14 | **–** | 100,000,000 | – |
| Assignment of investment in associate to a related party | 10 | **–** | 4,218,750 | – |

*See accompanying Notes to Consolidated Financial Statements.*

## 1. General Information

**Repower Energy Development Corporation (REDC or the Parent Company)**

REDC was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on May 29, 2013 and was listed at the Philippine Stock Exchange (PSE) on July 24, 2023. REDC and its subsidiaries collectively referred to as "the Group", are organized primarily to develop and generate renewable energy resources.

REDC is a subsidiary of Pure Energy Holdings Corporation (PEHC). PEHC is an investment holding company which engages primarily in renewable energy generation and water system management and distribution. PEHC is a 76%-owned subsidiary of DYT Equities Corporation (the Ultimate Parent Company). All the foregoing entities are incorporated in the Philippines.

The registered office address of REDC is located at 3rd Floor JTKC Center, 2155 Chino Roces Ave., Makati City.

**Subsidiaries**

The consolidated financial statements include the financial statements of the Group, which are all engaged in the renewable energy generation and distribution:

| | Effective Percentage of Ownership | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | | 2022 | | 2021 | |
| Name of Subsidiaries | **Direct** | **Indirect** | Direct | Indirect | Direct | Indirect |
| Philippine Power and Development Company (PPDC) | 99% | – | 99% | – | 99% | – |
| Majayjay Hydropower Company, Inc. (MHCI) | 99% | – | 99% | – | 99% | – |
| Labayat 1 Hydropower Corporation (L1HC) | 82% | – | 60% | – | 60% | – |
| Tibag Hydropower Corporation (THC) | 100% | – | 100% | – | 100% | – |
| Cabanglasan Hydropower Corporation (CHC) | 100% | – | 100% | – | 100% | – |
| Bicol Hydropower Corporation (BHC) | 100% | – | 100% | – | 75% | – |
| Piapi Hydropower Corporation (PHC) | 60% | – | 60% | – | – | – |
| Baguio Asin Hydropower Corporation (BAHC) | 100% | – | – | – | – | – |
| Pure Meridian Hydropower Corporation (PMHC)* and Subsidiaries: | – | – | – | – | 50% | – |
| PMHC Lalawinan Inc. (PLI)** | – | – | – | – | – | 50% |
| PMHC Pulanai Inc. (PPI)** | – | – | – | – | – | 50% |

**Indirect ownership of 50% plus one (1) share*
***Wholly-owned subsidiary of PMHC*

In 2021, the Parent Company sold its investment in MHC shares to a third party and recognized a gain on disposal of investment in MHC amounting to ₱6,194,598 (see Note 19). MHC's operations were not considered a separate major line of business or geographical area of operations. Accordingly, the disposal of MHC was not presented as a discontinued operation.

On November 4, 2022, the Parent Company assigned its investment in PMHC to a related party for ₱40,750,000 (see Note 21). PMHC's operations were considered a separate major line of business or geographical area of operations. Accordingly, the disposal of PMHC was presented as a discontinued operation.

As at December 31, 2023, the operating subsidiaries of the Parent Company are PPDC, MHCI, L1HC, THC and BHC. As at December 31, 2023 CHC, PHC and BAHC are at its pre-operating stages.

**Associates**

The Group has the following associates:

| | | | Effective Percentage of Ownership | | |
|---|---|---|---|---|---|
| Name of Associates | Nature of Business | Principal Place of Business | **2023** | 2022 | 2021 |
| Blue Energy Holdings and Management Corporation (BEHMC) | Holding and Investments | Unit 308 Greenhills Mansion 37 Annapolis St., Greenhills San Juan City | 30% | 30% | 30% |
| BEHMC Lower Labayat Hydropower Corp. (BLLHC)* | Power Generation Through Renewable Energy | Unit 308 Greenhills Mansion 37 Annapolis St., Greenhills San Juan City | 30% | 30% | 30% |
| BEHMC Upper Tignoan Hydropower Corp. (BUTHC)* | Power Generation Through Renewable Energy | Unit 308 Greenhills Mansion 37 Annapolis St., Greenhills San Juan City | 30% | 30% | 30% |
| Tubig Nabua Inc. (TNI)** | Water Supply Management and Distribution | Nabua Water District, Lourdes Hospital Road, San Francisco (POB.) Nabua, Camarines Sur | – | – | 30% |

**100%-owned by BEHMC*
***30%-owned by PPDC*

In 2022, the Group assigned its 30% ownership interest in TNI to a related party and recognized a gain on disposal of investment in associate amounting to ₱4,218,750 (see Notes 10 and 19).

**Approval of Consolidated Financial Statements**

The consolidated financial statements of the Group as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 were approved and authorized for issue by the BOD on April 18, 2024.

## 2. Summary of Material Accounting Policy Information

**Basis of Preparation and Statement of Compliance**

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

The accounting policies adopted were consistently applied in the preparation of the consolidated financial statements for the periods presented.

**Measurement Bases**
The consolidated financial statements are presented in Philippine Peso, the Group's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on a historical cost basis except for retirement liability which is recorded at the aggregate of the present value of the retirement liability. Historical cost is generally based on the fair value of the consideration given in exchange for an asset or consideration paid in exchange for the incurrence of a liability.

Further information about the assumptions made in measuring fair values is included in Note 25 to the consolidated financial statements.

**Adoption of Amendments to PFRS**
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS effective beginning January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

The adoption of the amended PFRS did not materially affect the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

**Amendments to PFRS Issued But Not Yet Effective or Adopted**
Relevant amendments to PFRS, which are not yet effective as at December 31, 2023 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

- Amendments to PAS 7, *Statement of Cash Flows* and PFRS 7, *Financial Instrument: Disclosures - Supplier Finance Arrangements* – The amendments introduced new disclosure requirements to enable users of the financial statements assess the effects of supplier finance arrangements on the liabilities, cash flows and exposure to liquidity risk. The amendments also provide transitional relief on certain aspects, particularly on the disclosures of comparative information. Earlier application is permitted.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS is not expected to have any material effect on the consolidated financial statements of the Company. Additional disclosures will be included in the consolidated financial statements, as applicable.

**Basis of Consolidation**

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. The Parent Company has control when it is exposed, or has a right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

Subsidiaries are entities controlled by the Parent Company. Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the controlling equity ownership (i.e., acquisition of non-controlling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; or
- The Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. They are presented in the consolidated statements of financial position within equity, apart from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statements of comprehensive income.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the former subsidiary from the consolidated statements of financial position;

- Recognizes any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRS. That retained interest is remeasured, and the remeasured value is regarded as the fair value on initial recognition of a financial asset in accordance with PFRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture; and

- Recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

*Goodwill*. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**Classification of Assets and Liabilities between Current and Noncurrent**

The Group presents current and noncurrent assets, and current and noncurrent liabilities, as separate disclosure in the consolidated notes to financial statements.

*Current Assets.* The Group classifies an asset as current when:

a. it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
b. it holds the asset primarily for the purpose of trading;
c. it expects to realize the asset within twelve months after the reporting period, or
d. the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Otherwise, the Group will classify all other assets as noncurrent.

*Current Liabilities.* The Group classifies a liability as current when:

a. it expects to settle the liability in its normal operating cycle;
b. it holds the liability primarily for the purpose of trading;
c. the liability is due to be settled within twelve months after the reporting period, or
d. it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise, the Group will classify all other liabilities as noncurrent.

**Financial Assets and Liabilities**

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable is done using trade date accounting.

*Initial Recognition.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

*"Day 1" Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transactions price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

*Classification of Financial Instruments.* The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and, (c) financial assets at fair value through other comprehensive income (FVOCI).

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model.

As at December 31, 2023 and 2022, the Group has no financial assets and liabilities at FVPL and financial assets at FVOCI.

*Financial Assets at Amortized Cost.* A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Included in this category are cash, trade and other receivables (excluding receivables from employees), due from related parties, and refundable deposit, restricted cash, fund held in escrow and receivables from contractors (presented under "Other assets" account).

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

This category includes trade and other payables (excluding statutory payables), loans payable, due to related parties and retention payable.

**Reclassification**
The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

**Impairment of Financial Assets at Amortized Cost**
The Group records an allowance for expected credit loss (ECL) on financial assets at amortized cost based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

The Group measures loss allowances at an amount equivalent to the 12-month ECL for financial assets on which credit risk has not increased significantly since initial recognition or that are determined to have low credit risk at reporting date. Otherwise, impairment loss will be based on lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at reporting date with the risk of a default occurring on the financial instrument on the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort. In addition, the Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at reversal date.

*Trade Receivables.* The Company only has few customers which can be graded individually. The ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

*Other Financial Assets Measured at Amortized Cost.* For these financial assets, the Group applies the general approach in determining ECL. The Group recognizes an allowance based on either the 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

A financial asset is written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

**Derecognition of Financial Assets and Liabilities**

*Financial Assets.* A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or

- the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Financial Liabilities*. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

**Offsetting Financial Assets and Liabilities**
Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

**Classification of Financial Instrument between Liability and Equity**
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

**Other Assets**
Other assets include receivables from contractors (a financial asset), advances to contractors and suppliers, advances to employees, input VAT for refund, input value-added tax (VAT), creditable withholding tax (CWT), prepayments, deferred input VAT, restricted cash (a financial asset) and refundable deposit (a financial asset).

*Advances to Contractors.* Advances to contractors pertain to the advance payments for the rehabilitation and development of the Group's hydropower plants. These are applied on every payment of progress billing depending on the percentage of completion.

*Advances to Suppliers.* Advances to suppliers represent advance payments on services to be incurred in connection with the Group's operations. These are capitalized in the consolidated statements of financial position, upon actual receipt of services, which is normally within 12 months or within the normal operating cycle which are presented as part of current assets in the consolidated statements of financial position.

*Advances to Employees.* Advances to employees pertain to cash advanced to be used in the Group's operations. These advances are subject to liquidation. Advances to officers and employees expected to be liquidated for no more than 12 months after the financial reporting period are classified as other current assets.

*Input VAT for Refund.* Input VAT for refund pertains to previously declared input VAT incurred from purchase of assets or services that are claimed for refund from the tax authority.

*Input VAT.* The net amount of VAT recoverable from the tax authority is included as part of "Other current assets" account in the consolidated statements of financial position.

Revenues, expenses and assets are recognized net of the amount of VAT except where VAT incurred on a purchase of assets or services is not recoverable from the tax authority.

*CWT*. CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source.

*Prepayments.* Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be incurred no more than 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

*Deferred Input VAT*. Deferred input VAT represents the unamortized amount of input VAT on the unpaid portion of availed services, including the use or lease of properties.

**Investments in Associates**

The Group's investments in associates, where there is significant influence, are accounted for under the equity method. These also include investments where the Group holds 20% or more of the voting stocks but does not have control over the associate or where, even though the Group holds 20% or less, the Group has significant influence over operating and financial policies of the associate. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

Under the equity method, investments in associates are carried in the consolidated statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statements of comprehensive income reflect the share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The share in net income or loss of the associates is shown as "Equity share in net income (loss) of associates" account in the consolidated statements of comprehensive income.

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over an associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

**Property, Plant and Equipment**

Property, plant and equipment, except land and construction in progress, are carried at cost less accumulated depreciation and amortization and any impairment losses. Land and construction in progress are carried at cost less any impairment losses.

The initial cost of property, plant and equipment consists of its purchase price, including import duties, and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts when the asset recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to current operations. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

The cost of replacing a component of an item of property, plant and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

Depreciation and amortization are calculated on the straight-line basis over the estimated useful lives of the property, plant and equipment follows:

| | Number of Years |
|---|---|
| Hydropower plants | 25 |
| Buildings | 15 to 25 |
| Furniture, fixtures and office equipment | 3 to 5 |
| Transportation equipment | 5 to 15 |

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized to profit or loss.

Construction in progress represents properties under construction and is stated at cost, including cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

**Impairment of Nonfinancial Assets**

The carrying amounts of the Group's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash generating unit (CGU) is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Group. Impairment losses are recognized in profit or loss in the period incurred.

The recoverable amount of a nonfinancial asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while the fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less cost of disposal.

In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized.

**Capital Stock and Additional Paid-In Capital**

Capital stock is measured at par value for all shares issued. Excess of proceeds and/or fair value of considerations received over the par value of shares issued, if any, is recognized as additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are recognized in equity as deduction from proceeds, net of tax. Unpaid subscriptions are recognized as a reduction of subscribed common shares.

**Retained Earnings (Deficit)**

Retained earnings (deficit) represents the cumulative results of operations, net of prior period adjustments, if any.

**Deposit for Future Stock Subscription**

Deposit for future stock subscription represents the amount received by the Group which it records as such with a view of applying the same as payment for additional issuance of shares or increase in capital stock. The amount recorded in the consolidated statements of financial position is the share of the non-controlling interest since the amount received by the subsidiary from its Parent Company was eliminated during consolidation.

The deposit for future stock subscription is recognized as equity if and only if, all of the following elements forth by the SEC are present as of end of the reporting period:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is BOD's approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented or has been filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability.

**Other Equity Reserve**
Other equity reserve represents net excess of the consideration given up over the carrying amount of the non-controlling interest acquired.

**Other Comprehensive Income**
Other component of equity pertains to income that is not to be recognized in profit or loss for the year. Other comprehensive income pertains to remeasurement gain on retirement liability.

**Earnings Per Share**
The Group presents basic and diluted earnings per share data for its common shares.

Basic earnings per share is calculated by dividing the net income attributable to common shareholders of the Parent Company by the weighted average number of common shares issued and outstanding during the year.

Diluted earnings per share amounts are computed in the same manner, adjusted for the dilutive effect of any potential common shares. There were no dilutive common shares as at December 31, 2023, 2022 and 2021.

**Revenue Recognition**
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

*Variable Consideration.* If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or service to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur and when the associated uncertainty with the variable consideration is subsequently resolved. Revenue from FIT rate differential is recognized based on the difference between the market rate and the estimated FIT rate applicable to the plant.

The following specific recognition criteria must also be met before revenue is recognized:

*Sale of Electricity.* Revenue from sale of electricity is recognized based on the actual delivery of electricity, net of any adjustments.

*Interest Income.* Interest income is recognized as the interest accrues, taking into account the effective yield on the asset, net of final tax.

*Other Income*. Income from other sources is recognized when earned during the period.

**Contract Balances**

*Contract Assets.* Contract assets are recognized when the Group has already rendered the services to the customer but where the Group is yet to bill them. Contract assets are subject to impairment assessment in accordance with impairment of financial assets at amortized cost.

*Contract Liabilities.* Contract liabilities are recognized if a payment is due to a customer resulting in excess collections over the approved feed-in-tariff (FIT) rate.

**Cost and Expense Recognition**

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

*Cost of Sale of Electricity.* Cost of sale of electricity are recognized as expense when the related services are rendered.

*Operating Expenses.* Operating expenses constitute costs of administering the business. These are expensed as incurred.

**Leases**

A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the Group has both of the following:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and

- The right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

**Group as Lessee**

*Short-term Leases and Leases of Low-value Assets*. The Group applies the short-term lease recognition exemption to its short-term leases of head office space and staff houses (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term lease are recognized as expense on a straight-line basis over the lease term.

**Employee Benefits**

*Short-term Benefits.* The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

*Retirement Benefits.* The Group has an unfunded, noncontributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, and interest expense in profit or loss. Interest is calculated by applying the discount rate to the retirement liability.

Remeasurement gains and losses are recognized immediately in OCI in the period in which they arise. Remeasurement gains and losses are not reclassified to profit or loss in subsequent periods.

The retirement liability is the aggregate of the present value of the retirement liability to each qualified employee. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

**Borrowing Costs**

Borrowing costs is recognized in profit or loss using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of interest expense commences when expenditures for the asset and interest are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when all such activities are substantially complete.

**Income Taxes**

*Current Tax*. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused net operating loss carryover (NOLCO) available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same tax authority.

**Related Parties and Related Party Transactions**

Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties.

Parties are considered to be related if one party has the ability to directly or indirectly, control or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled, or under common control with the Group; (b) associates; (c) individuals owning directly or indirectly, an interest in the voting power of the Group that give them significant influence over the Group and close members of the family of any such individual; and (d) members of the key management personnel of the Group.

In considering each possible related party relationship, attention is directly to the substance of the relationship and not merely on the legal form.

**Segment Reporting**

The Group's operating segments are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services to different markets. Financial information on operating segments is presented in Note 25 to the consolidated financial statements. The Chief Executive Officer (CEO), the chief operating decision maker, reviews management reports on a regular basis. The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

For purposes of management reporting, the Group's operating segment is related to its renewable energy generation operations.

**Discontinued Operations**

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the consolidated statements of comprehensive income.

**Provisions**

Provisions are recognized when the Group has a present, legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

**Contingencies**

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated statements of financial position when an inflow of economic benefits is probable.

**Events After the Reporting Period**

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

## 3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, accounting estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, accounting estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date.

While the Group has assessed that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The judgments, accounting estimates and underlying assumptions are reviewed on an on-going basis. Changes in accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the change and future periods if the revision affects both current and future periods.

The following are the significant judgments, accounting estimates and assumptions made by the Group:

*Assessing Legal Contingencies.* The Group is currently involved in certain legal proceedings and claims. The Group determined the probable costs for these legal proceedings and claims based upon an analysis of potential results. Management believes that these legal proceedings and claims will not have a material adverse effect on the Group's consolidated financial statements and results of operations.

*Determining Lease Commitments - Group as a Lessee.* The Group has entered into various lease agreements for head office space and staff houses. The Group has elected not to recognize ROU assets on the lease qualifying under the short-term recognition exemption. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Rent expense on the lease qualifying under the short-term recognition exemption are disclosed in Note 21.

*Defining Default and Credit-Impaired Financial Assets.* The Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

a. Quantitative Criteria - the borrower is more than 30 days past due on its contractual payments, which is consistent with the Group's definition of default.
b. Qualitative Criteria - The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
    - The borrower is experiencing financial difficulty or is insolvent;
    - The borrower is in breach of financial covenants;
    - It is probable that the borrower will enter bankruptcy or other financial reorganization.

The definitions above have been applied to all financial instruments held by the Group consistently for internal credit risk management purposes. The default definition has been applied consistently, as well, to the determination of ECL.

*Estimating the ECL on Trade Receivables and Contract Assets.* The Company's trade receivables and contract assets are subject to the ECL model.

The Company applies the simplified approach in measuring ECL for trade receivables and contract assets since its customers can be graded as low risk. At the end of the reporting year, a loss allowance is recognized at an amount equal to lifetime since there has not been a significant increase in credit risk since initial recognition.

There is no allowance for ECL as at December 31, 2023 and 2022. The carrying amounts of trade receivables and contract assets are disclosed in Note 8.

*Assessing the Impairment of Other Financial Assets at Amortized Cost*. The Group determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL are provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime expected credit loss.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group's financial assets at amortized cost are considered to have low credit risk, and therefore the loss allowance is determined as 12 months expected credit losses. The Group has assessed that the ECL for financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and counterparties with good credit standing and relatively low risk of defaults. Accordingly, no impairment loss was recognized in 2023, 2022 and 2021.

The carrying amounts of other financial assets at amortized cost are disclosed in Notes 7, 9 and 20.

*Estimating the Useful Lives of Property, Plant and Equipment.* The Group reviews annually the estimated useful lives of property, plant and equipment based on expected asset's utilization, market demands and future technological development consistent with the Group's pursuit of constant modernization of the equipment to ensure the availability, reliability and cost efficiency of the equipment. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property, plant and equipment.

There was no change in the estimated useful lives of property, plant and equipment in 2023, 2022 and 2021. The carrying amount of property, plant and equipment are disclosed in Note 11.

*Assessing the Impairment of Nonfinancial Assets.* The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considered important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; or
- significant negative industry or economic trends.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for cash-generating unit to which the asset belongs. No impairment indicators were identified in 2023, 2022 and 2021 and thus, no impairment was recognized.

The carrying amounts of the significant nonfinancial assets of the Group are disclosed in Notes 9, 10, 11 and 12.

*Assessing the Impairment of Goodwill.* The Group tests annually whether any impairment in goodwill should be recognized, in accordance with the related accounting policy. The recoverable amount of CGU has been determined based on value in use calculations which require the use of estimates.

Based on the impairment assessment, the recoverable amount of the CGU as at December 31, 2023 and 2022, calculated based on value in use is greater than the corresponding carrying values (including goodwill) of the CGU. The carrying amount of goodwill are disclosed in Note 4.

*Estimating Retirement Benefits.* The determination of the obligation and cost for provision for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions, which include among others, discount rates and expected rates of salary increase, are indicated in Note 15 to the financial statements. Actual results that differ from the assumptions are accumulated and are recognized in other comprehensive income.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement benefit liability.

The carrying amount of retirement liability is disclosed in Note 15 to the financial statements.

*Recognizing Deferred Tax Assets.* The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The Group's unrecognized and recognized deferred tax assets are disclosed in Note 22.

## 4. Business Combinations and Goodwill

**Business Combinations**

**BHC**

On July 27, 2021, the Parent Company acquired 75% ownership interest in BHC for ₱37,055,556.

The finalized fair values of the identifiable assets acquired and liabilities assumed as at the date of the acquisition were as follows:

| | |
|---|---|
| Assets acquired: | |
| Other receivables | ₱25,000 |
| Property, plant and equipment | 2,390,735 |
| Other assets | 1,749 |
| | 2,417,484 |
| Liabilities assumed - | |
| Trade and other payables | 75,200 |
| Net Assets | ₱2,342,284 |

Goodwill was recognized as follows:

| | |
|---|---|
| Fair value of consideration transferred at acquisition date | ₱37,055,556 |
| Fair value of non-controlling interests in BHC | 585,571 |
| | 37,641,127 |
| Less fair value of net assets | 2,342,284 |
| | ₱35,298,843 |

The non-controlling interests in BHC were based on the proportionate share in BHC's identifiable net assets.

From the date of acquisition, BHC contributed nil to revenue and ₱187,346 of net loss to the Group in 2021. If the combination had taken place at the beginning of 2021, BHC's contribution to the Group's revenue would have been nil and BHC's contribution to the Group's net income would have been ₱1,952,669.

**MHCI**
On November 6, 2019, the Parent Company acquired 99.08% ownership of MHCI resulting to goodwill amounting to ₱86,599,545. Payable attributable to acquisition of a subsidiary amounted to ₱59,251,096 as at December 31, 2023 and 2022 (see Note 13).

**PPDC**
On July 15, 2015, the Parent Company acquired 45% ownership of PPDC resulting to a goodwill of ₱14,052,298.

**Other Equity Reserve**

*PPDC*
In 2016, the Parent Company increased its ownership interest to 99.4% by acquiring the common shares of PPDC resulting to a net excess of the consideration over the carrying amount of the non-controlling interest of ₱8,820,817. The net excess was recorded to "Other equity reserve" account in the consolidated statements of financial position.

*BHC*
In 2022, the Parent Company increased its ownership interest in BHC to 100% by acquiring the remaining common shares held by non-controlling shareholders. The excess of the consideration over the carrying amount of the non-controlling interest amounting to ₱30,981,599 was recorded under "Other equity reserve" account in the consolidated statements of financial position.

**Objective of Acquisitions**
The acquisitions of BHC, PPDC and MHCI were executed to expand its hydroelectric power plant operations. The goodwill recognized for the acquisitions are attributable to the expected synergies from combining the operations of the subsidiaries and the technical expertise of the Parent Company.

**Goodwill**
Goodwill from the acquisition of the subsidiaries are as follows:

| | **2023** | 2022 |
|---|---|---|
| MHCI | **₱86,599,545** | ₱86,599,545 |
| BHC | **35,298,843** | 35,298,843 |
| PPDC | **14,052,298** | 14,052,298 |
| | **₱135,950,686** | ₱135,950,686 |

For purposes of impairment testing, the Group determined the recoverable amount of goodwill based on value in use. Value in use is based on discounted cash flow model using the subsidiaries' financial forecasts for the next five years.

Key assumptions used to which the recoverable amounts are most sensitive are revenue growth rates, estimated operational costs, weighted average long-term growth rates and discount rates. Revenue growth rates are based on expected operating results with reference to projected cash flows from stress testing. Operational costs are determined based on average fixed and variable costs adjusted for inflationary increases but not reflecting any future restructurings or cost saving measures.

The Group has assessed that there is no goodwill impairment based on a discounted cash flow model using projected budget for the next five years. The pre-tax weighted average cost of capital of the entities ranges from 5.75% to 8.46%.

The Parent Company assessed that goodwill from business combinations are not deductible for tax purposes.

## 5. Material Non-controlling Interests

The following table summarizes the subsidiaries with material effective percentage of ownership held by non-controlling interests.

| | Principal Place of Business | **2023** | 2022 |
|---|---|---|---|
| L1HC | Real, Quezon | **18%** | 40% |
| PHC | Makati City, Metro Manila | **40%** | – |

Non-controlling interests in the consolidated statements of financial position are presented below:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| L1HC | **₱124,117,583** | ₱108,369,707 | ₱81,205,315 |
| PHC | **3,868,922** | – | – |
| PMHC | **–** | – | 129,991,353 |
| PLI | **–** | – | (13,713,458) |
| Others | **4,306,992** | 3,364,234 | (1,076,725) |
| | **₱132,293,497** | ₱111,733,941 | ₱196,406,485 |

The net income (loss) attributable to non-controlling interests in the consolidated statements of comprehensive income is presented below:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| L1HC | **₱6,256,568** | ₱27,164,410 | (₱751,770) |
| PLI | **–** | – | (11,646,568) |
| PMHC | **–** | (11,168,448) | (399,132) |
| Others | **809,538** | 863,171 | 787,981 |
| | **₱7,066,106** | ₱16,859,133 | (₱12,009,489) |

The total comprehensive income (loss) attributable to non-controlling interests in the consolidated statements of comprehensive income is presented below:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| L1HC | **₱6,276,002** | ₱27,164,410 | (₱751,770) |
| PLI | **–** | – | (11,646,568) |
| PMHC | **–** | (11,168,448) | (399,132) |
| Others | **811,676** | 863,171 | 787,981 |
| | **₱7,087,678** | ₱16,859,133 | (₱12,009,489) |

The summarized financial information of the material partly-owned subsidiaries is presented below. This information is based on the amounts before intercompany eliminations.

| | **2023** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Current Assets** | **Noncurrent Assets** | **Current Liabilities** | **Noncurrent Liabilities** | **Equity** | **Revenue** | **Net Income (Loss)** | **Total Comprehensive Income (Loss)** |
| L1HC | **₱24,009,960** | **₱1,044,912,171** | **₱39,943,124** | **₱410,574,018** | **₱618,404,989** | **₱116,873,270** | **₱25,680,073** | **₱25,680,073** |
| PHC | **20,442,472** | **56,758,482** | **20,153,648** | **–** | **57,047,306** | **–** | **(327,694)** | **(327,694)** |

| | 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Current Assets | Noncurrent Assets | Current Liabilities | Noncurrent Liabilities | Equity | Revenue | Net Income | Total Comprehensive Income |
| L1HC | ₱126,207,111 | ₱929,734,005 | ₱345,182,430 | ₱360,073,070 | ₱350,685,616 | ₱156,336,606 | ₱67,911,025 | ₱67,911,025 |

## 6. Cash

This account consists of:

| | **2023** | 2022 |
|---|---|---|
| Cash on hand | **₱6,678,900** | ₱333,857 |
| Cash in banks | **38,209,543** | 82,329,855 |
| | **₱44,888,443** | ₱82,663,712 |

Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations.

Interest income recognized in profit or loss are as follows:

| | Note | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Continuing operations | 19 | **₱178,093** | ₱37,522 | ₱123,885 |
| Discontinued operations | 21 | – | – | 12,139 |
| | | **₱178,093** | ₱37,522 | ₱136,024 |

## 7. Funds Held in Escrow

The Parent Company appointed a universal bank as the custodian bank (the Custodian Bank) to manage and administer the proceeds of the IPO.

The IPO proceeds are kept separate and distinct from all other funds in custody of the Custodian Bank. The Custodian Bank maintains independent books of records of all the transactions of the escrow account and shall release the proceeds to the Parent Company, subject to the issuance of a letter of instructions, and a written certification under oath, signed by the Chief Financial Officer of the Parent Company, stating the purpose of which the Parent Company shall use the funds, and such purpose is exclusively in accordance with the approved use of proceeds.

The escrow deposit maintained under escrow account with the Custodian Bank amounted to ₱526,537,923 as at December 31, 2023. Net withdrawals from fund held in escrow amounted to ₱423,100,000 in 2023.

Interest income earned amounted to ₱137,924 in 2023.

## 8. Trade and Other Receivables

This account consists of:

| | Note | **2023** | 2022 |
|---|---|---|---|
| Trade | | **₱76,491,779** | ₱74,115,524 |
| Current portion of contracts assets | 23 | **55,012,741** | 54,440,516 |
| Others | | **1,309,801** | 1,123,911 |
| | | **₱132,814,321** | ₱129,679,951 |

Trade receivables pertain to receivable from the sale of electricity under the Feed-in-Tariff (FIT) mechanism and in the Wholesale Electricity Spot Market (WESM) through Independent Electricity Market Operator of the Philippines (IEMOP). These are noninterest-bearing and are generally collectible within 30 to 90 days.

Contract assets pertain to unbilled FIT differential (see Note 23). Contract assets presented in the consolidated statements of financial position are as follows:

| | Note | **2023** | 2022 |
|---|---|---|---|
| Current | | **₱55,012,741** | ₱54,440,516 |
| Noncurrent | 9 | **9,733,811** | – |
| | | **₱64,746,552** | ₱54,440,516 |

The carrying amount of trade and other receivables pledged as collateral for its loan payable amounted to ₱75,653,110 and ₱70,471,182 as at December 31, 2023 and 2022, respectively (see Note 14).

9. **Other Assets**

This account consists of:

| | Note | 2023 | 2022 |
|---|---|---|---|
| **Other Current Assets** | | | |
| Receivables from contractors | | **₱65,941,707** | ₱65,941,707 |
| Advances to contractors and suppliers | 12 | **26,015,783** | 70,000 |
| Advances to employees | | **13,448,220** | 6,176,425 |
| Input VAT for refund | | **17,471,534** | 19,213,438 |
| Input VAT | | **6,954,333** | 19,610,165 |
| Creditable withholding tax | | **3,857,351** | 2,529,043 |
| Prepayments | | **2,868,341** | 2,579,883 |
| Restricted cash | | **1,838,341** | 120,000 |
| Current portion of deferred input VAT | | **243,038** | 324,051 |
| Others | | **2,344,856** | 1,652,878 |
| | | **140,983,504** | 118,217,590 |
| Allowance for impairment of input VAT | | **1,241,757** | – |
| | | **₱139,741,747** | ₱118,217,590 |
| **Other Noncurrent Assets** | | | |
| Contract asset - net of current portion | 8 | **₱9,733,811** | ₱– |
| Restricted cash - net of current portion | 14 | **7,102,904** | 8,584,590 |
| Refundable deposit | | **494,040** | 494,040 |
| Deferred input VAT - net of current portion | | **–** | 243,038 |
| | | **₱17,330,755** | ₱9,321,668 |

Receivables from contractors pertain to unapplied advances which will be refunded to the Group.

Advances to employees represent cash advances and other loans granted to the Group's employees which are noninterest-bearing in nature and are subject to liquidation.

In 2023 and 2022, the Group wrote off input VAT amounting to ₱1,709,636 and ₱1,518,416, respectively (see Note 19). In addition, in 2023, the Group recognized provision for impairment of input VAT amounting to ₱1,241,757 (see Note 19).

Restricted cash pertains to cash set aside for payment of financial benefits and energy resources to its host communities pursuant to Energy Regulations (ER) No. 1-94 (see Note 23) and hold-out agreement with a local bank to secure prompt payment of the loan used to partially finance the rehabilitation of the hydropower plants (see Note 14).

10. **Investments in Associates**

Movements in this account are as follows:

| | **2023** | 2022 |
|---|---|---|
| **Acquisition Cost** | | |
| Balance at beginning of year | **₱15,000,000** | ₱20,625,000 |
| Disposal | **–** | (5,625,000) |
| Balance at end of year | **15,000,000** | 15,000,000 |
| **Advances For Future Stock Subscriptions** | | |
| Balance at beginning of year | **40,191,200** | 23,400,000 |
| Additions | **–** | 16,791,200 |
| Balance at end of year | **40,191,200** | 40,191,200 |
| **Accumulated Equity Share in Net Loss of Associates** | | |
| Balance at beginning of year | **(11,213,667)** | (14,986,873) |
| Equity share in net loss | **(3,612,394)** | (1,851,794) |
| Disposal | **–** | 5,625,000 |
| Balance at end of year | **(14,826,061)** | (11,213,667) |
| **Carrying Amount** | **₱40,365,139** | ₱43,977,533 |

In 2022, the Group assigned its 30% ownership interest in TNI to a related party and recognized a gain on disposal of investment in associate amounting to ₱4,218,750 (see Notes 1 and 19).

The financial information of the Group's associates is summarized below.

| | **2023** | 2022 |
|---|---|---|
| Total current assets | **₱28,228,688** | ₱54,715,703 |
| Total noncurrent assets | **715,274,160** | 520,117,462 |
| Total current liabilities | **392,235,169** | 333,679,241 |
| Total noncurrent liabilities | **350,687,883** | 228,532,814 |
| Total equity | **579,796** | 12,621,110 |
| Total comprehensive loss | **12,041,314** | 6,172,646 |

The reconciliation of the net assets and the carrying amount of investment in an associate follows:

| | **2023** | 2022 |
|---|---|---|
| Equity at end of year | **₱579,796** | ₱12,621,110 |
| Percentage of ownership | **30%** | 30% |
| | **173,939** | 3,786,333 |
| Advances for future stock subscriptions | **40,191,200** | 40,191,200 |
| Carrying amount of investment | **₱40,365,139** | ₱43,977,533 |

## 11. Property, Plant and Equipment

Movements and balances of this account consist of:

| | 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Hydropower Plants | Construction in Progress | Land | Buildings | Furniture, Fixtures and Office Equipment | Transportation Equipment | Total |
| **Cost** | | | | | | | |
| Balance at beginning of year | **₱1,881,823,635** | **₱1,307,486,317** | **₱13,869,359** | **₱10,284,120** | **₱4,312,802** | **₱3,269,950** | **₱3,221,046,183** |
| Additions | **77,329,396** | **938,000,493** | **–** | **1,408,949** | **1,860,287** | **–** | **1,018,599,125** |
| Reclassification | **1,231,494,145** | **(1,244,334,145)** | **–** | **12,840,000** | **–** | **–** | **–** |
| Balance at end of year | **3,190,647,176** | **1,001,152,665** | **13,869,359** | **24,533,069** | **6,173,089** | **3,269,950** | **4,239,645,308** |
| **Accumulated Depreciation and Amortization** | | | | | | | |
| Balance at beginning of year | **175,056,276** | **–** | **–** | **1,259,280** | **2,053,658** | **2,215,540** | **180,584,754** |
| Depreciation and amortization | **80,012,810** | **–** | **–** | **1,203,792** | **946,495** | **277,810** | **82,440,907** |
| Balance at end of year | **255,069,086** | **–** | **–** | **2,463,072** | **3,000,153** | **2,493,350** | **263,025,661** |
| **Carrying Amount** | **₱2,935,578,090** | **₱1,001,152,665** | **₱13,869,359** | **₱22,069,997** | **₱3,172,936** | **₱776,600** | **₱3,976,619,647** |

| | | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Hydropower Plants | Construction in Progress | Land | Buildings | Furniture, Fixtures and Office Equipment | Transportation Equipment | Total |
| **Cost** | | | | | | | | |
| Balance at beginning of year | | ₱1,586,183,496 | ₱1,146,285,222 | ₱11,055,434 | ₱10,284,120 | ₱2,950,408 | ₱3,243,568 | ₱2,760,002,248 |
| Additions | | – | 804,009,688 | 2,813,925 | – | 1,511,360 | 26,382 | 808,361,355 |
| Reclassification | | 296,089,125 | (296,089,125) | – | – | – | – | – |
| Deconsolidation of PMHC and Subsidiaries | 21 | – | (346,719,468) | – | – | (148,966) | – | (346,868,434) |
| Disposal | | (448,986) | – | – | – | – | – | (448,986) |
| Balance at end of year | | 1,881,823,635 | 1,307,486,317 | 13,869,359 | 10,284,120 | 4,312,802 | 3,269,950 | 3,221,046,183 |
| **Accumulated Depreciation and Amortization** | | | | | | | | |
| Balance at beginning of year | | 102,916,835 | – | – | 839,520 | 1,601,407 | 1,936,187 | 107,293,949 |
| Depreciation and amortization | | 72,139,441 | – | – | 419,760 | 589,995 | 279,353 | 73,428,549 |
| Deconsolidation of PMHC and Subsidiaries | 21 | – | – | – | – | (137,744) | – | (137,744) |
| Balance at end of year | | 175,056,276 | – | – | 1,259,280 | 2,053,658 | 2,215,540 | 180,584,754 |
| **Carrying Amount** | | ₱1,706,767,359 | ₱1,307,486,317 | ₱13,869,359 | ₱9,024,840 | ₱2,259,144 | ₱1,054,410 | ₱3,040,461,429 |

**Property, Plant and Equipment as Loan Securities**

Parcels of land, hydropower plants and construction in progress with a carrying value aggregating ₱3,645,006,776 and ₱2,588,917,043 as at December 31, 2023 and 2022, respectively, were mortgaged as collateral for the Group's loans (see Note 14).

**Construction in Progress**

Construction in progress pertains to the development costs of the Group's hydropower plant. As at December 31, 2023, the projects under construction are as follows:

| | Pulanai Hydropower Plant | Piapi Hydropower Plant |
|---|---|---|
| Estimated cost to complete | ₱3,500,000,000 | ₱1,300,000,000 |
| Estimated completion date | 2026 | 2027 |

**Completed Projects**

In 2023 and 2022, the Group completed its construction of hydropower plants and building for a total cost aggregating ₱1,244,334,145 and ₱296,089,125, respectively. The related construction costs were reclassified to the property, plant and equipment category.

**Application of Advances to Contractors**

The Group applied advances to contractors to construction in progress amounting to ₱58,406,489 and ₱94,601,209 in 2023 and 2022, respectively (see Note 12).

**Depreciation and Amortization**

Depreciation and amortization charged to operations are as follows:

| | Note | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Cost of sale of electricity | 17 | **₱78,816,554** | ₱68,859,428 | ₱39,652,590 |
| Operating expenses | 18 | **3,624,353** | 4,541,811 | 2,291,240 |
| Discontinued operations | | **–** | 27,310 | 37,242 |
| | | **₱82,440,907** | ₱73,428,549 | ₱41,981,072 |

Capitalized borrowing costs amounted to ₱25,151,272, ₱35,237,885 and ₱47,814,019 in 2023, 2022 and 2021, respectively (see Note 14). Capitalization rates used were 5.6% to 8.9%, 5.6% to 5.7% and 5.5% to 8.5% in 2023, 2022 and 2021, respectively. The capitalized borrowing costs were not treated as deductible expense in the year the interests were incurred.

In 2023, the Company received an insurance claim amounting to ₱4,739,996 to cover the property damages caused by a typhoon in 2019. The gain on proceeds from insurance claim is presented as part of "Other income (charges)" account in the consolidated statements of comprehensive income (see Note 19).

## 12. Advances to Contractors and Suppliers

Movements in this account are as follows:

| | Note | 2023 | 2022 |
|---|---|---|---|
| Balance at beginning of year | | **₱37,954,825** | ₱253,055,327 |
| Additions | | **313,704,956** | 8,000,000 |
| Application | 11 | **(58,406,489)** | (94,601,209) |
| Advances written-off | | **(70,000)** | – |
| Reclassification to other current assets | 8 | **–** | (65,941,707) |
| Deconsolidation of PMHC and subsidiaries | | **–** | (62,557,586) |
| Balance at end of year | | **293,183,292** | 37,954,825 |
| Current portion | 8 | **26,015,783** | 70,000 |
| Noncurrent portion | | **₱267,167,509** | ₱37,884,825 |

This account consists of advance payments to contractors and suppliers for the construction and development of the Group's hydropower plants and water facilities. These are applied against progress billings based on the percentage of completion. The remaining contractual commitments to the contractors aggregated to ₱4,800,000,000 as at December 31, 2023.

## 13. Trade and Other Payables

This account consists of:

| | Note | 2023 | 2022 |
|---|---|---|---|
| Trade | | **₱278,502,639** | ₱233,078,102 |
| Accrued expenses | | **154,173,755** | 3,279,702 |
| Current portion of retention payable | | **93,218,636** | 99,060,964 |
| Payable for the acquisition of MHCI shares | 4 | **59,251,096** | 59,251,096 |
| Interest payable | | **22,283,895** | 18,433,268 |
| Statutory payables | | **710,698** | 14,932,795 |
| Others | | **12,652,871** | 1,217,360 |
| | | **₱620,793,590** | ₱429,253,287 |

Trade payables consist of payables to contractors and suppliers which are noninterest–bearing and are generally settled in varying periods within one year depending on the arrangements with suppliers and contractors.

Retention payable represents the portion of the contract price that is withheld until the construction works are substantially complete. Retention payable presented in the consolidated statements of financial position are as follows:

| | 2023 | 2022 |
|---|---|---|
| Current | **₱93,218,636** | ₱99,060,964 |
| Noncurrent | **80,466,710** | 49,914,209 |
| | **₱173,685,346** | ₱148,975,173 |

Accrued expenses include accruals for professional fees, taxes and other employee benefits which are generally paid within the subsequent year.

14. **Loans Payable**

This account consists of loans from:

| | 2023 | 2022 |
|---|---|---|
| Local creditor banks | **₱1,800,736,937** | ₱1,416,337,878 |
| Individual | **–** | 40,000,000 |
| | **1,800,736,937** | 1,456,337,878 |
| Unamortized debt issue cost | **(17,131,147)** | (13,651,989) |
| Carrying amount | **1,783,605,790** | 1,442,685,889 |
| Current portion | **114,880,390** | 122,956,289 |
| Noncurrent portion | **₱1,668,725,400** | ₱1,319,729,600 |

Movements in this account are as follows:

| | Note | 2023 | 2022 |
|---|---|---|---|
| Balance at beginning of year | | **₱1,442,685,889** | ₱1,530,673,830 |
| Availments | | **466,000,000** | 352,493,751 |
| Payments | | **(122,956,290)** | (155,814,440) |
| Debt issue cost incurred | | **(5,725,535)** | (1,969,095) |
| Debt issue cost amortization | | **2,246,377** | 946,494 |
| Deconsolidation of PMHC and Subsidiaries | 21 | **–** | (285,000,000) |
| Amortization of fair value adjustment from business combination | | **1,355,349** | 1,355,349 |
| Balance at end of year | | **₱1,783,605,790** | ₱1,442,685,889 |

**Local Creditor Banks**

The Group entered into various loan contracts with local creditor banks to finance and reimburse the construction and rehabilitation of its various projects, with interest rates ranging from 5.5% to 7.5% per annum, and with terms ranging from up to 15 years.

**Debt Issue Costs**

Debt issue costs pertain to documentary stamp taxes and other transaction costs incurred in connection with the loans. Movements of unamortized debt issue costs are as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance at beginning of year | **₱13,651,989** | ₱12,629,388 |
| Incurred | **5,725,535** | 1,969,095 |
| Amortization: | | |
| Capitalized borrowing cost | **(311,666)** | (589,161) |
| Interest expense | **(1,934,711)** | (357,333) |
| Balance at end of year | **₱17,131,147** | ₱13,651,989 |

The carrying amounts and significant terms of the loans are as follows:

| | Carrying Amounts | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | **Credit Facility** | **Payment Terms** | **Interest** | **Security** |
| ***Local Creditor Banks:*** | | | | | | |
| THC | **₱619,925,525** | ₱572,679,304 | ₱700,000,000 credit line with additional ₱200,000,000 upon commissioning of the plant | 15-year loan payable in 46 quarterly installments commencing at the end of the 15th quarter from the date of initial drawdown. | 5.5% per annum to be adjusted every end of one (1) year, or three (3) years, or five (5) years, at the option of THC. | Real property mortgage and chattel mortgage covering all real properties and civil works together with improvements acquired or constructed; and pledge and deed of guarantee from stockholders. The carrying amount of hydropower plant amounted to ₱1,232,795,639 and ₱1,144,050,104 as at December 31, 2023 and 2022, respectively. |
| CHC | **413,784,233** | – | 2,600,000,000 | 15-year term loan with a local bank payable in 60 quarterly installments commencing on the 13th quarter from the date of initial drawdown. | Variable interest rate at the Company's prevailing lending rate subject to quarterly repricing, which is not lower to 6.5% per annum. | Hydropower plants and parcels of land as collateral amounting to ₱966,785,848 and ₱10,000,000, respectively, as at December 31, 2023, corporate suretyship of REDC, PEHC, and L1HC, pledge over all shares of stock held by the majority of CHC's stockholders, REDC, and assignment of contractual rights, including but not limited to rights to receive revenue under Renewable Energy Payment Agreement (REPA), and hold out of one quarterly amortization in the debt service account maintained with the lending bank amounting to ₱5,518,314 as at December 31, 2023 (see Note 9). |
| L1HC | **309,111,787** | 344,934,327 | 468,000,000 | 15-year loan payable in 52 equal quarterly installments starting at the end of the 9th quarter from the date of initial drawdown. | 5.5% per annum for the first five (5) years, subject to repricing every five (5) years thereafter. | Chattel mortgage over the hydropower plants with carrying amounts aggregating ₱837,315,217 and ₱861,602,594 as at December 31, 2023 and 2022, respectively, assignment of rights over the receivables and deed of guarantee from stockholders. |
| PPDC | **208,740,728** | 231,784,090 | 278,700,000 | 15-year loan payable in 48 equal quarterly amortizations to start the end of the 13th quarter from the date of initial release. | 6.0% per annum for the first five (5) years, subject to repricing every five (5) years thereafter. | Pledged trade and other receivables as collateral amounting to ₱66,477,934 and ₱63,938,001 as at December 31, 2023 and 2022, respectively (see Note 8). Pledged hydropower plants and parcels of land as collateral amounting to ₱303,272,869 and ₱3,327,735, respectively, as at December 31, 2023 and ₱302,051,707 and ₱3,327,735, respectively, as at December 31, 2022. |

(Forward)

| | Carrying Amounts | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | **Credit Facility** | **Payment Terms** | **Interest** | **Security** |
| MHCI | **₱132,043,517** | ₱153,288,168 | ₱246,463,000 | 15-year loan payable in 40 quarterly installments starting at the end of 21st quarter from the date of initial drawdown. | 6% per annum to be adjusted based on prevailing interest rate | Deed of assignment with hold-out with the local bank to secure the prompt payment of the loan amounting to ₱1,584,590 and ₱8,584,590 as at December 31, 2023 and 2022, respectively (see Note 9). Real and chattel property mortgages aggregating ₱286,159,468 and ₱272,534,903, respectively, assignment of receivables, assignment of debt servicing account and continuing suretyship of previous owners. |
| BHC | **100,000,000** | 100,000,000 | 100,000,000 | 5-year term loan with a local bank payable in 48 monthly installments after one year from the start of the term loan. | 7.5% per annum subject to repricing and shall not go below the floor rate of 7% | Real estate mortgage on the land amounting to ₱5,350,000 as at December 31, 2023 and 2022 and assignment of trade and other receivables amounting to ₱9,175,176 and ₱6,533,181 as at December 31, 2023 and 2022, respectively (see Note 8). |
| | **1,783,605,790** | 1,402,685,889 | | | | |
| ***Loans from individuals -*** | | | | | | |
| REDC | **–** | 40,000,000 | 40,000,000 | 1 year payable at the end of the term | None | None |
| | **₱1,783,605,790** | ₱1,442,685,889 | | | | |

**Financial Covenants**
The loans include covenants to maintain certain debt-to-equity ratio, current ratio and debt service ratio during the term of the loan, except for THC which will commence on June 30, 2024, for the debt-to-equity and current ratios and on June 30, 2025, for the debt service coverage ratio. In accordance with the loan agreement, the borrower shall be in default if, in the reasonable opinion of the creditor bank, the noncompliance is not remediable, after a written notice for such failure. As at December 31, 2023, the Group is compliant with these covenants.

**Expected Loan Repayments**
The expected loan repayments over the remaining term of the loan as at December 31, 2023 are as follows:

| | |
|---|---|
| Not later than one year | **₱114,880,390** |
| Later than one year but not later than five years | **543,244,644** |
| Later than five years | **1,142,611,903** |
| | **₱1,800,736,937** |

**Interest Expense and Capitalized Borrowing Costs**
Interest expense charged to operations is as follows:

| | Note | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Continuing operations: | | | | |
| Long term loans | | **₱70,683,528** | ₱60,385,450 | ₱33,960,840 |
| Short term loans | | **–** | 4,425,275 | 12,666,378 |
| | | **70,683,528** | 64,810,725 | 46,627,218 |
| Discontinued operations | 21 | **–** | 21,878,722 | 21,320,175 |
| | | **₱70,683,528** | ₱86,689,447 | ₱67,947,393 |

The Group capitalized borrowing cost amounting to ₱25,151,272, ₱35,237,885 and ₱47,814,019 in 2023, 2022 and 2021, respectively (see Note 11).

The cash and noncash changes in the Group's liabilities arising from financing activities:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Loans Payable | Debt Issue Costs | Due to Related Parties | Interest Payable | Total |
| Balance at beginning of year | **₱1,456,337,878** | **(₱13,651,989)** | **₱759,080,119** | **₱18,433,268** | **₱2,220,199,276** |
| Changes from financing cash flows: | | | | | |
| Cash proceeds | **466,000,000** | **–** | **347,863,425** | **–** | **813,863,425** |
| Payments of: | | | | | |
| Due to related parties | **–** | **–** | **(328,508,841)** | **–** | **(328,508,841)** |
| Loans payable | **(122,956,290)** | **–** | **–** | **–** | **(122,956,290)** |
| Interests | **–** | **–** | **–** | **(88,382,447)** | **(88,382,447)** |
| Debt issue costs | **–** | **(5,725,535)** | **–** | **–** | **(5,725,535)** |
| Noncash changes: | | | | | |
| Accrual of interest | **–** | **–** | **–** | **70,683,528** | **70,683,528** |
| Capitalization of borrowing costs | **–** | **311,666** | **–** | **24,839,606** | **25,151,272** |
| Amortization of debt issue cost | **–** | **1,934,711** | **–** | **(1,934,711)** | **–** |
| Amortization of fair value adjustment | **1,355,349** | **–** | **–** | **(1,355,349)** | **–** |
| Balance at end of year | **₱1,800,736,937** | **(₱17,131,147)** | **₱778,434,703** | **₱22,283,895** | **₱2,584,324,388** |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Loans Payable | Debt Issue Costs | Due to Related Parties | Interest Payable | Total |
| Balance at beginning of year | ₱1,543,303,218 | (₱12,629,388) | ₱404,840,542 | ₱18,155,438 | ₱1,953,669,810 |
| Changes from financing cash flows: | | | | | |
| Cash proceeds | 352,493,751 | – | 201,869,783 | – | 554,363,534 |
| Payments of: | | | | | |
| Loans payable | (55,814,440) | – | – | – | (55,814,440) |
| Interests | – | – | – | (102,336,482) | (102,336,482) |
| Due to related parties | – | – | (24,757,014) | – | (24,757,014) |
| Debt issue costs | – | (1,969,095) | – | – | (1,969,095) |
| Noncash changes: | | | | | |
| Deconsolidation of PMHC and Subsidiaries | (285,000,000) | – | 77,126,808 | (17,011,177) | (224,884,369) |
| Transfer of loan to a related party | (100,000,000) | – | 100,000,000 | – | – |
| Accrual of interest | – | – | – | 86,689,447 | 86,689,447 |
| Capitalization of borrowing costs | – | 589,161 | – | 34,648,724 | 35,237,885 |
| Amortization of debt issue cost | – | 357,333 | – | (357,333) | – |
| Amortization of fair value adjustment | 1,355,349 | – | – | (1,355,349) | – |
| Balance at end of year | ₱1,456,337,878 | (₱13,651,989) | ₱759,080,119 | ₱18,433,268 | ₱2,220,199,276 |

15. **Retirement Liability**

The Group has unfunded and non-contributory defined benefit retirement plan covering all its qualified employees. The retirement benefits are based on years of service and compensation on the last year of employment as determined by an independent actuary as at December 31, 2023.

The breakdown of retirement expense in 2023 is as follows (see Notes 17 and 18):

| | |
|---|---|
| Current and past service cost | ₱5,210,221 |
| Interest expense | 479,748 |
| | ₱5,689,969 |

The movements of retirement liability recognized in the consolidated statements of financial position as at December 31, 2023 are as follows:

| | |
|---|---|
| Balance at beginning of year | ₱– |
| Current service cost | 697,789 |
| Interest expense | 479,748 |
| Past service cost | 4,512,432 |
| Remeasurement gain | (600,997) |
| Balance at end of year | ₱5,088,972 |

The rates used as principal assumptions for the purpose of the actuarial valuation as at December 31, 2023 ranges from 7.0% to 7.4% for discount rate 5.0% for salary projection rate.

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31,2023 is presented below.

| | | Effect on Present Value of Retirement Liability | |
|---|---|---|---|
| | Change in Assumption | Discount Rate | Salary Projection Rate |
| December 31, 2023 | +1% | (₱184,668) | ₱191,273 |
| | -1% | 209,877 | (170,490) |

The expected future benefit payments within the following years after December 31, 2023 are as follows:

| | |
|---|---|
| Within one (1) year | ₱– |
| After one (1) year but not more than 5 years | 4,193,750 |
| After 5 years but not more than 10 years | 3,446,813 |
| After 10 years but not more than 15 years | 3,469,839 |
| More than 15 years | 13,414,157 |

The weighted average duration of the retirement benefit obligation as at December 31, 2023 ranges from 0.41 to 6.83 years.

## 16. Equity

On November 6, 2019, REDC's BOD and stockholders approved the increase its authorized capital stock from ₱150,000,000 divided into 150,000,000 shares at ₱1.00 par value share to ₱750,000,000 divided into 750,000,000 shares at ₱1.00 par value share. Out of the increase in authorized capital stock, ₱300,000,000 worth of shares has been subscribed and out of such subscription, ₱115,350,626 has been paid through the assignment of advances. On July 14, 2020, REDC filed its application for the increase in authorized capital stock with the SEC. The SEC approved the increase in authorized capital stock on January 31, 2022.

In 2022, upon approval of the increase in authorized capital stock, REDC issued 300,000,000 shares through the application of deposit for future stock subscription amounting to ₱424,901,466 resulting into additional paid-in capital amounting to ₱124,901,466.

In 2023, upon listing in the PSE, the Company issued 200.0 million common shares from the Company's unissued capital stock at a price of ₱5.00 per share. The gross proceeds from the IPO amounted to ₱1,000.0 million. The excess of the offer price over the par value of the issued shares equivalent to ₱800.0 million, was recognized as additional paid in capital. Cost directly attributable to the issuance of shares amounting to ₱28,981,162 were recognized as deduction from the additional paid in capital.

Movements in capital stock are as follows:

| | **2023** | | 2022 | | 2021 | |
|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | Shares | Amount | Shares | Amount |
| **Authorized Capital Stock at ₱1 par value** | | | | | | |
| Balance at beginning of year | **750,000,000** | **₱750,000,000** | 150,000,000 | ₱150,000,000 | 150,000,000 | ₱150,000,000 |
| Increase during the year | **–** | **–** | 600,000,000 | 600,000,000 | – | – |
| Balance at end of year | **750,000,000** | **₱750,000,000** | 750,000,000 | ₱750,000,000 | 150,000,000 | ₱150,000,000 |
| **Issued and Outstanding** | | | | | | |
| Balance at beginning of year | **450,000,000** | **₱450,000,000** | 150,000,000 | ₱150,000,000 | 150,000,000 | ₱150,000,000 |
| Issuances of shares | **200,000,002** | **200,000,002** | 300,000,000 | 300,000,000 | – | – |
| Balance at end of year | **650,000,002** | **₱650,000,002** | 450,000,000 | ₱450,000,000 | 150,000,000 | ₱150,000,000 |

## 17. Cost of Sale of Electricity

This account consists of:

| | Note | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Depreciation and amortization | 11 | **₱78,816,554** | ₱68,859,428 | ₱39,652,590 |
| Salaries and wages | | **18,967,788** | 16,149,442 | 9,226,881 |
| Communication and utilities | | **7,448,653** | 5,299,041 | 3,257,739 |
| Outside services | | **6,215,746** | 1,533,383 | 657,768 |
| Retirement benefits | 15 | **2,875,553** | – | – |
| Repairs and maintenance | | **3,806,945** | 3,430,046 | 7,691,999 |
| Insurance | | **3,311,145** | – | – |

(Forward)

| | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Taxes and licenses | | **₱2,500,585** | ₱1,516,868 | ₱1,645,467 |
| Distribution wheeling charges | | **1,564,615** | 882,628 | 1,061,175 |
| Transportation | | **694,716** | 1,047,332 | 184,127 |
| Materials | | **519,799** | 955,918 | 493,787 |
| Rent | 23 | **109,350** | 81,397 | 45,000 |
| Others | | **4,998,381** | 5,114,943 | 1,829,309 |
| | | **₱131,829,830** | ₱104,870,426 | ₱65,745,842 |

18. **Operating Expenses**

This account consists of:

| | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Taxes and licenses | | **₱16,360,970** | ₱9,522,572 | ₱5,172,591 |
| Salaries and wages | | **15,185,599** | 10,609,546 | 8,402,099 |
| Representation and entertainment | | **13,274,235** | 5,711,575 | 1,943,289 |
| Outside services | | **11,725,711** | 3,165,210 | 5,006,771 |
| Transportation and meals | | **5,608,987** | 4,376,863 | 867,675 |
| Professional fees | | **5,387,393** | 1,823,739 | 1,284,847 |
| Rent | 23 | **3,728,865** | 3,541,161 | 3,514,006 |
| Listing fees | | **3,692,615** | – | – |
| Depreciation and amortization | 11 | **3,624,353** | 4,541,811 | 2,291,240 |
| Communication and utilities | | **3,196,759** | 3,754,236 | 3,341,404 |
| Retirement benefits | 15 | **2,814,416** | – | – |
| Insurance | | **2,214,690** | 976,020 | 2,274,511 |
| Repairs and maintenance | | **1,141,685** | 965,155 | 287,188 |
| Fuel, oil and lubricants | | **317,945** | 361,899 | 289,147 |
| Research and development cost | | **125,326** | 994,959 | 165,065 |
| Others | | **4,695,099** | 3,082,016 | 3,672,746 |
| | | **₱93,094,648** | ₱53,426,762 | ₱38,512,579 |

Others include expenses for appraisal and survey services among others.

19. **Other Income (Charges)**

This account consists of:

| | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Gain on insurance proceeds | 11 | **₱4,739,996** | ₱– | ₱– |
| Write-off of input VAT | 9 | **(1,709,636)** | (1,518,416) | – |
| Provision for impairment of input VAT | 9 | **(1,241,757)** | – | – |
| Interest income | 6 | **178,093** | 37,522 | 123,885 |
| Gain on disposal of a subsidiary and an associate | 1, 10 | **–** | 4,218,750 | 6,194,598 |
| Foreign exchange loss | | **–** | (1,580) | – |
| Others | | **10,883,206** | (7,335) | 887,118 |
| | | **₱12,849,902** | ₱2,728,941 | ₱7,205,601 |

## 20. Related Party Transactions

The Group has transactions with its related parties in the ordinary course of business as follows:

| | Amount of Transactions | | Balance at End of Year | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| **Due from Related Parties** | | | | |
| *Stockholders:* | | | | |
| Ultimate Parent Company | **₱–** | ₱67,106 | **₱–** | ₱55,862 |
| *Associates:* | | | | |
| BEHMC | **–** | – | **17,263** | 17,263 |
| *Entities Under Common Control:* | | | | |
| PMHC | **5,322** | 45,847,783 | **45,853,105** | 45,847,783 |
| PPI | **20,000,000** | – | **20,000,000** | – |
| Titan Mining and Energy Corporation (TMEC) | **4,000,000** | 4,681,267 | **9,577,680** | 5,577,680 |
| Colossal Petroleum Corporation | **8,211,964** | – | **8,211,964** | – |
| PWC | **–** | 8,869 | **166,301** | 166,301 |
| PLI | **2,222** | – | **2,222** | – |
| Others | **48,985,472** | – | **49,021,243** | 35,771 |
| | | | **₱132,849,778** | ₱51,700,660 |
| **Due to Related Parties** | | | | |
| *Stockholders:* | | | | |
| Ultimate parent company | **₱–** | ₱137,650,406 | **₱222,933,416** | ₱420,461,620 |
| Other stockholders | **115,556,241** | 127,114,999 | **288,700,778** | 179,143,634 |
| *Entities Under Common Control:* | | | | |
| SPARC | **57,309,258** | 37,046,623 | **102,581,636** | 45,272,378 |
| JSC | **–** | – | **35,283,052** | 35,285,574 |
| PGI | **–** | – | **164,376** | 380,770 |
| Nabua | **–** | – | **–** | 1,406,250 |
| Others | **95,449,989** | – | **49,223,508** | 3,085 |
| *Others:* | | | | |
| PMHC | **79,547,937** | – | **79,547,937** | – |
| PPI | **–** | 79,547,937 | **–** | 77,126,808 |
| | | | **₱778,434,703** | ₱759,080,119 |
| **Deposit for Future Stock Subscription** | | | | |
| *Presented in non-controlling interests* | | | | |
| *Entities Under Common Control* | | | | |
| Volga Power Corporation (VPC) | **₱–** | **₱**– | **₱–** | ₱8,095,200 |

**Due from Related Parties**

These are noninterest-bearing working capital advances, unsecured and are due and demandable. No impairment loss was recognized in 2023, 2022 and 2021.

**Due to Related Parties**

These are noninterest-bearing working capital advances, unsecured and are payable in cash and upon demand.

**Deposit for Future Stock Subscription**

*L1HC*

In 2019, L1HC received additional deposit for future stock subscription from VPC amounting to ₱20,000,000. On July 30, 2020 upon approval by the SEC of L1HC's application to increase its authorized capital stock, ₱11,904,800 was issued out of the unsubscribed shares from the increase in authorized capital stock. In addition, the remaining balance of the deposit for future stock subscription amounting to ₱8,095,200 was presented as part of equity.

**Compensation of Key Management Personnel**

Compensation of key management personnel of the Group consists of short-term benefits amounting ₱4,522,500, ₱3,872,500 and ₱3,297,313 in 2023, 2022 and 2021, respectively.

## 21. Discontinued Operations

On November 4, 2022, the Parent Company assigned its ownership interest in PMHC, a subsidiary, to Colossal Petroleum Corporation for ₱40,750,000. As at December 31, 2022, PMHC and its subsidiaries were presented as a discontinued operation.

The results of operations of PMHC and its subsidiaries are presented below:

| | Note | 2022 | 2021 |
|---|---|---|---|
| Operating expenses | | ₱458,175 | ₱2,900,724 |
| Interest expense | 14 | 21,878,722 | 21,320,175 |
| Interest income | 6 | – | (12,139) |
| Other income | | – | – |
| | | 22,336,897 | 24,208,760 |
| Gain on disposal | | (34,276,628) | – |
| Net loss (income) from discontinued operations | | (₱11,939,731) | ₱24,208,760 |

The net cash flows incurred by PMHC are as follows:

| | 2022 | 2021 |
|---|---|---|
| Operating activities | (₱43,973,719) | (₱23,123,774) |
| Investing activities | 36,387,430 | (16,906,358) |
| Financing activities | 2,039,225 | 14,438,561 |
| | (₱5,547,064) | (₱25,591,571) |

The carrying amounts of assets and liabilities disposed are as follows:

| | |
|---|---|
| **Assets** | |
| Cash | ₱3,048,941 |
| Property, plant and equipment | 346,730,690 |
| Other assets | 371,683,873 |
| | 721,463,504 |
| | |
| **Liabilities** | |
| Trade and other payables | 31,921,523 |
| Loans payable | 285,000,000 |
| Other liabilities | 42,242,390 |
| | 359,163,913 |
| | |
| **Net Assets** | **₱362,299,591** |

Basic/diluted income (loss) per share from discontinued operations follow:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Basic/diluted income (loss) per share | **₱–** | ₱0.03 | (₱0.16) |

## 22. Income Taxes

The components of income tax expense are as follows:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| **Reported in Profit or Loss** | | | |
| Regular corporate income tax (RCIT) | **₱–** | ₱3,246,880 | ₱– |
| (Benefit from) deferred income tax | **(1,917,018)** | 504,650 | (71,436) |
| | **(₱1,917,018)** | ₱3,751,530 | (₱71,436) |

The Group has no current income tax in 2023 due to the income tax holiday and net loss position.

The details of the Group's net deferred tax liabilities are as follows:

| | **2023** | 2022 |
|---|---|---|
| Deferred tax asset - | | |
| Unrealized foreign exchange loss | **₱18,365** | ₱45,912 |
| Deferred tax liabilities: | | |
| Unamortized debt issue cost | **1,728,843** | 3,412,997 |
| Difference between the fair value and carrying amount of property, plant and equipment | **489,562** | 749,974 |
| | **2,218,405** | 4,162,971 |
| | **₱2,200,040** | ₱4,117,059 |

The Group did not recognize the following deferred tax assets since management assessed that it is not probable that sufficient future taxable income will be available to allow the deferred tax asset to be utilized.

| | **2023** | 2022 |
|---|---|---|
| NOLCO | **₱38,976,157** | ₱21,168,233 |
| Retirement liability | **209,645** | – |
| | **₱39,185,802** | ₱21,168,233 |

Details of NOLCO are as follows:

| Year Incurred | Balance at Beginning of Year | Incurred | Applied | Expired | Balance at End of Year | Expiration Year |
|---|---|---|---|---|---|---|
| 2020 | ₱21,010,228 | ₱– | ₱– | ₱– | ₱21,010,228 | 2025 |
| 2021 | 47,463,097 | – | – | – | 47,463,097 | 2026 |
| 2022 | 16,199,605 | – | – | – | 16,199,605 | 2025 |
| 2023 | – | 82,056,450 | – | – | 82,056,450 | 2026 |
| | ₱84,672,930 | ₱82,056,450 | ₱– | ₱– | ₱166,729,380 | |

On September 30, 2020, Bureau of Internal Revenue (BIR) issued the Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of the Republic Act No. 11494, otherwise known as "Bayanihan to Recover as One Act". This RR provides that net operating loss of the business or enterprise for taxable years 2020 and 2021 to be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The reconciliation of income tax expense computed at the statutory tax rate to income tax expense (benefit) as shown in the consolidated statements of comprehensive income is summarized as follows:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Income tax computed at statutory tax rate | **₱7,950,690** | ₱42,937,752 | ₱5,751,313 |
| Change in unrecognized deferred tax assets | **18,017,569** | (1,846,154) | (2,542,029) |
| Effect of change in income tax rate | **(2,020,250)** | – | 2,354,161 |
| Add (deduct) tax effects of: | | | |
| Income subject to income tax holiday (ITH) | **(22,272,496)** | (45,305,577) | (14,111,401) |
| Stock issuance costs | **(7,372,790)** | – | – |
| Nondeductible expenses | **2,917,972** | 1,615,886 | 265,025 |
| Equity share in net loss of associates | **903,098** | 462,949 | 2,546,117 |
| Interest income subjected to final tax | **(40,811)** | (9,381) | (29,344) |
| Expired NOLCO and MCIT | **–** | 5,896,055 | 5,694,722 |
| | **(₱1,917,018)** | ₱3,751,530 | (₱71,436) |

**Income Tax Holiday**

MHCI, PPDC, L1HC, PLI and BHC are entitled to the following incentives under *Republic Act No. 9513*, *Renewable Energy Act of 2008* upon approval of BOI:

- Exemption from the payment of income taxes levied by the National Government for the first seven (7) years of commercial operations and 10% corporate income tax after the income tax holiday;

The income tax holiday is valid until:

| | Start of Commercial Operations | Expiry of 7 Year Exemption |
|---|---|---|
| MHCI | May 2019 | April 2026 |
| PPDC: | | |
| Balugbog powerplant | July 2018 | June 2025 |
| Calibato powerplant | January 2019 | December 2026 |
| Palakpakin powerplant | September 2018 | August 2025 |
| L1HC | September 2021 | August 2028 |
| BHC | April 2022 | April 2029 |

- Exemption from payment of tariff duties on the importation of renewable machinery, equipment and materials;
- Special realty tax of 1.5% on equipment and machinery;
- Zero value-added tax rate on the sale of renewable energy sources;
- Zero value-added tax rate on the purchases of goods, properties and services directly related to the development of hydropower plant facilities; and
- Tax exemption on the sale of carbon credits.

**Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act**

On March 26, 2021, the CREATE was approved and signed into law by the country's President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates retrospectively became effective beginning July 1, 2020. Since the Group is entitled to income tax holiday and is in a tax loss position, the change in income tax rate to the Group's consolidated financial statements did not have significant financial impact as at and for the years ended December 31, 2023, 2022 and 2021.

The regular corporate income tax (RCIT) rate used in preparing the consolidated financial statements is 25% as at and for the years ended December 31, 2023, 2022 and 2021.

## 23. Significant Commitments

**Group as a Lessee**

The Group has certain leases for its head office space and staff houses with lease terms of 12 months or less. The Group applied the "short-term lease" recognition exemption for these leases.

Rent expense incurred as follows:

| | Note | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Cost of sale of electricity | 17 | **₱109,350** | ₱81,397 | ₱45,000 |
| Operating expenses | 18 | **3,728,865** | 3,541,161 | 3,514,006 |
| Discontinued operations | | **–** | 10,000 | 120,000 |
| | | **₱3,838,215** | ₱3,632,558 | ₱3,679,006 |

**Renewable Energy Distribution**

**Hydropower Service Contract (HSC)**
The Government, through the Department of Energy (DOE), awarded HSCs to the Group for the exclusive right to explore, develop and utilize hydropower resources within specified contract areas. As at December 31, 2023, the Group has the following HSCs:

- Palakpakin Hydroelectric Power Plant
- Balugbog Hydroelectric Power Plant
- Calibato Hydroelectric Power Plant
- Majayjay Hydroelectric Power Project
- Labayat River (Upper Cascade) Hydroelectric Power Project
- Inarihan Hydroelectric Power Project
- Tibag Hydroelectric Power Project
- Pulanai River Hydroelectric Power Project
- Piapi River Hydroelectric Power Project

**Wind Energy Service Contract (WESC)**
The Government, through the Department of Energy (DOE), awarded WESCs to the Group for the exclusive right to explore, develop and utilize wind energy resources within specified contract areas.

As at December 31, 2023, the Company has one (1) WESC in Mauban, Quezon, which is under the development stage.

The HSC and WESC contracts are for a period is for twenty-five (25) years which is divided into two (2) stages: the pre-development stage and the development or commercial stage.

The pre-development stage refers to preliminary assessment and feasibility study activities. The development or commercial stage commences from the confirmation of commerciality by the DOE and refers to the construction and installation of facilities up to the operation phase.

The HSC and WESCs also provide that the Parent Company may assign or transfer part or all of its rights and/or obligations under the HSC to its affiliate upon compliance with certain requirements.

**Provisional Authority to Operate (PAO) Feed-in-Tariff (FIT) Eligible Power Plant**

*BHC*

In August 2022, the DOE issued COE under the FIT system for Inarihan hydropower plant, which entitled the BHC to the FIT rate.

On October 26, 2023, BHC received a PAO-FIT from ERC. The PAO was issued in favor of BHC's hydropower plant FIT eligibility valid from October 26, 2023 to October 25, 2024 contingent on the validity of permits and licenses issued by other government agencies.

Revenue from FIT differential adjustment in 2023 amounted to ₱3.6 million.

*L1HC*

In December 2021, the DOE issued Certificate of Endorsement (COE) under the FIT system for Upper Labayat Hydroelectric Power Plant (ULHEPP), which entitled the BHC to the FIT rate.

On November 15, 2022, the Company received a PAO-FIT from ERC. The PAO was issued in favor of the Company's hydropower plant FIT eligibility valid from November 15, 2022 to November 14, 2023 contingent on the validity of permits and licenses issued by other government agencies.

Revenue adjustment from FIT differential in 2023 amounted to ₱24.2 million. In 2023, the Company reversed revenue amounting to ₱29.0 million pertaining to the estimated FIT differential from performance obligations satisfied in previous years.

*MHCI*

In October 2019, the DOE issued a Certificate of Endorsement (COE) under the FIT system which entitled MHCI to FIT rate commencing on the date of commercial operations. In October 2020, the Energy Regulations Commission (ERC) issued PAO authorizing MHCI to participate in the FIT system for a period of one (1) year from October 14, 2020 to October 13, 2021 contingent on the validity of the permits and licenses issued by other government agencies, and pending compliance with the submission of the Business/Mayor's Permit and the amended Wholesale Electricity Spot Market (WESM) Registration.

On December 3, 2020, MHCI submitted to the ERC the Business/Mayor's Permit and the Notice of Approval for the Amended WESM Registration. On July 7, 2021, the ERC issued the Certificate of Compliance in favor of MHCI's hydroelectric power plant FIT eligibility valid from October 14, 2019 to October 13, 2024.

Revenue from FIT amounted to ₱92,024,197, ₱94,904,416 and ₱102,207,122 in 2023, 2022, and 2021 respectively.

*PPDC*

In September 2019, the DOE issued COE under the FIT system for Palakpakin and Balugbog hydropower plants, which entitled the PPDC to the FIT rate from 2018 to 2038. On May 2020, the DOE issued the COE under the FIT system for the Calibato hydropower plant, which entitled PPDC to the FIT rate commencing from 2020 to 2040.

On December 2, 2020, PPDC received a PAO-FIT from ERC for Palakpakin, Calibato and Balugbog hydropower plants. The PAO was issued in favor of PPDC's hydropower plants FIT eligibility valid from December 2, 2020 to December 1, 2021 contingent on the validity of permits and licenses issued by other government agencies.

As at report date, PPDC has completed all the requirements set forth in the PAO except for the public offering requirement.

Revenue from FIT in 2023, 2022 and 2021 amounted to ₱112,177,371, ₱102,447,533 and ₱104,173,234, respectively.

**Renewable Energy Payment Agreement (REPA) with National Transmission Corporation (Transco)**
The Group entered into a REPA with the Transco to set out the rights and obligations relating to the payment of the Actual FIT Revenue to the Group for the electricity generated by the FIT eligible power plants. Under the REPA, Transco, as the FIT Administrator, shall administer the implementation of the FIT System, manage the FIT-All Fund from which renewable energy developers shall be paid, and perform the function of settlement agent for the payment of Actual FIT Revenue to the eligible renewable energy power plants.

In accordance with the agreement, Transco shall pay the actual FIT revenue for all metered generation for a period of 20 years from commercial operations. Any FIT differential, prior to the effectivity of the REPA, shall be billed and collected from Transco over a period, equivalent to the number of months lapsed between the start of commercial operations until the effective date of the REPA. The unbilled FIT differential is recorded under "Contract assets" and "Contract liabilities" account.

The Group's contract assets are as follows (see Note 8):

| | **2023** | 2022 |
|---|---|---|
| PPDC | **₱42,394,257** | ₱41,822,032 |
| MHCI | **12,618,484** | 12,618,484 |
| THC | **9,733,811** | – |
| | **₱64,746,552** | ₱54,440,516 |

L1HC's unbilled excess collections over the FIT rate amounting to ₱26.1 million as at December 31, 2023 is recorded under "Contract liability" account.

**Market Participation Agreement (MPA) with Independent Electricity Market Operator of the Philippines (IEMOP)**
The Group entered into an MPA to be a WESM Participant with IEMOP as its Market Operator to sell bulk energy generated from its hydropower plants subject to WESM rules and manuals.

Details of derived revenue from the MPA are as follows:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| L1HC | **₱127,037,483** | ₱156,336,606 | ₱26,901,234 |
| BHC | **70,725,112** | 28,353,487 | – |
| THC | **54,674,646** | – | – |
| | **₱252,437,241** | ₱184,690,093 | ₱26,901,234 |

**Legal Proceedings**
The Group is involved in certain legal proceedings. Management believes that the ultimate liability, if any, with respect to such disputes will not materially affect the financial position of the Group.

## 24. Financial Risk Management Objectives and Policies and Capital Management

The Group's principal financial instruments consist mainly of financial assets and financial liabilities directly related to operations specifically cash, trade and other receivables (excluding advances to employees), due from related parties, refundable deposit, receivables from contractors , trade and other payables (excluding statutory payables), loans payable, due to related parties, and retention payable.

**Financial Risk Management Objectives and Policies**

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risk. The BOD reviews and agrees on policies for managing each of these risks.

**Credit Risk**

Credit risk is the risk that counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers including related parties, placing deposits with banks and investing in short–term placements.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The Company has significant concentration of credit risk in its trade receivables and contract assets. As discussed in Note 2, the Company only has few customers in 2023, 2022 and 2021.

Generally, trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of the debtor to engage in repayment plan, no active enforcement activity and a failure to make contractual payment for a period greater than one (1) year.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, representing the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained is summarized below:

| | **2023** | 2022 |
|---|---|---|
| Cash in banks | **₱38,209,543** | ₱82,329,855 |
| Trade and other receivables* | **131,504,520** | 128,556,040 |
| Due from related parties | **132,849,778** | 51,700,660 |
| Refundable deposit | **494,040** | 494,040 |
| Receivables from contractors | **65,941,707** | 65,941,707 |
| Restricted cash | **8,941,245** | 8,704,590 |
| | **₱377,940,833** | ₱337,726,892 |

**Excluding receivable from employees amounting to ₱1,309,801 and ₱1,123,911 as at December 31, 2023 and 2022, respectively.*

The table below shows the credit quality and aging analysis of the Group's financial assets:

| | 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Past Due But Not Impaired | | | | |
| | High Grade | Standard Grade | 1 – 60 Days | 61 – 90 Days | More than 90 Days | Allowance for ECL | Total |
| Lifetime ECL - | | | | | | | |
| Trade receivables | ₱– | ₱74,398,017 | ₱370,755 | ₱140,869 | ₱1,582,138 | ₱– | ₱76,491,779 |
| Contract assets | – | 55,012,741 | – | – | 9,733,811 | – | 64,746,552 |
| | ₱– | ₱129,410,758 | ₱370,755 | ₱140,869 | ₱11,315,949 | ₱– | ₱141,238,331 |
| 12–month ECL: | | | | | | | |
| Cash in banks | 38,209,543 | – | – | – | – | – | 38,209,543 |
| Funds held in escrow | 526,537,923 | – | – | – | – | – | 526,537,923 |
| Due from related parties | – | 132,849,778 | – | – | – | – | 132,849,778 |
| Refundable deposits | – | 494,040 | – | – | – | – | 494,040 |
| Receivables from contractors | – | 65,941,707 | – | – | – | – | 65,941,707 |
| Restricted cash | 8,941,245 | – | – | – | – | – | 8,941,245 |
| | ₱573,688,711 | ₱199,285,525 | ₱– | ₱– | ₱– | ₱– | ₱772,974,236 |
| | ₱573,688,711 | ₱328,696,283 | ₱370,755 | ₱140,869 | ₱11,315,949 | ₱– | ₱914,212,567 |

| | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Past Due But Not Impaired | | | | |
| | High Grade | Standard Grade | 1 – 60 Days | 61 – 90 Days | More than 90 Days | Allowance for ECL | Total |
| Lifetime ECL - | | | | | | | |
| Trade receivables | ₱– | ₱72,086,805 | ₱359,238 | ₱136,493 | ₱1,532,988 | ₱– | ₱74,115,524 |
| Contract assets | – | 54,440,516 | – | – | – | – | 54,440,516 |
| | – | 126,527,321 | 359,238 | 136,493 | 1,532,988 | – | 128,556,040 |
| 12–month ECL: | | | | | | | |
| Cash in banks | 82,329,855 | – | – | – | – | – | 82,329,855 |
| Due from related parties | – | 51,700,660 | – | – | – | – | 51,700,660 |
| Refundable deposits | – | 494,040 | – | – | – | – | 494,040 |
| Receivables from contractors | – | 65,941,707 | – | – | – | – | 65,941,707 |
| Restricted cash | 8,704,590 | – | – | – | – | – | 8,704,590 |
| | 91,034,445 | 118,136,407 | – | – | – | – | 209,170,852 |
| | ₱91,034,445 | ₱244,663,728 | ₱359,238 | ₱136,493 | ₱1,532,988 | ₱– | ₱337,726,892 |

The Group's financial assets are categorized based on the Group's collection experience with the counterparties as follows:

a. High Grade – settlements are obtained from counterparty following the terms of the contracts without much collection effort.

b. Standard Grade – some reminder follow–ups are performed to obtain settlement from the counterparty.

c. Past Due But Not Impaired – items with history of frequent defaults but are still being collected.

*Cash and Cash Equivalents, Short-term Investment and Restricted Cash.* The credit risk for cash and cash equivalents, short-term investment, financial assets at FVPL and restricted cash is considered negligible because the counterparties are reputable banks with high quality external credit ratings. Thus, the impairment loss is limited to 12-month ECL.

*Due from Related Parties.* The exposure on due from related parties, which are measured and classified as financial assets at amortized cost, are assumed to have low credit risk because the related parties have sufficient cash and other liquid assets to repay the loan immediately. Thus, the impairment loss is limited to 12-month ECL.

**Liquidity Risk**

Liquidity risk arises from the Group's inability to raise sufficient funds at the least possible cost to meet its financial commitments. The Group's objectives in liquidity management are: (a) to ensure that adequate funds are available to meet expiring obligations; (b) to meet the commitments as they arise without incurring unnecessary costs; and (c) to be able to access additional funding when needed at the least possible cost.

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 2023 and 2022:

| | **2023** | | | | | |
|---|---|---|---|---|---|---|
| | **Due and Demandable** | **Less than 1 year** | **1–2 years** | **>2–3 years** | **Over 3 years** | **Total** |
| Trade and other payables* | **₱–** | **₱615,091,790** | **₱–** | **₱–** | **₱–** | **₱615,091,790** |
| Loans payable** | **–** | **386,012,085** | **199,757,908** | **836,908,872** | **1,215,971,188** | **2,638,650,053** |
| Retention payable - net of current portion | **–** | **89,826,865** | **(9,360,155)** | **–** | **–** | **80,466,710** |
| Due to related parties | **778,434,703** | **–** | **–** | **–** | **–** | **778,434,703** |
| | **₱778,434,703** | **₱1,090,930,740** | **₱190,397,753** | **₱836,908,872** | **₱1,215,971,188** | **₱4,112,643,256** |

**Excluding statutory payables amounting to ₱710,698 as at December 31, 2023.*
***Includes future interest payments*

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Due and Demandable | Less than 1 year | 1–2 years | >2–3 years | Over 3 years | Total |
| Trade and other payables* | ₱– | ₱414,320,492 | ₱– | ₱– | ₱– | ₱414,320,492 |
| Loans payable** | – | 312,466,854 | 161,698,889 | 677,456,205 | 984,297,399 | 2,135,919,347 |
| Retention payable - net of current portion | – | 42,319,262 | 7,594,947 | – | – | 49,914,209 |
| Due to related parties | 759,080,119 | – | – | – | – | 759,080,119 |
| | ₱759,080,119 | ₱769,106,608 | ₱169,293,836 | ₱677,456,205 | ₱984,297,399 | ₱3,359,234,167 |

**Excluding statutory payables amounting to ₱14,932,795 as at December 31, 2022.*
***Includes future interest payments*

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

**Interest Rate Risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's market risk policy requires it to manage interest rate risk by maintaining appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and liabilities. Any gap between the maturities of fixed and variable rate instruments is effectively managed by the Group.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with other variables held constant of the Group's income before income tax:

| | **2023** | 2022 |
|---|---|---|
| Increase (decrease) in basis points: | | |
| +50 | **(₱9,194,626)** | (₱7,213,430) |
| -50 | **9,194,626** | 7,213,430 |

**Capital Management**

The primary objective of the Group's capital management is to ensure that it maintains strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Group regularly monitors its capital position and assesses business conditions to ensure early detection and determination of risks and its consequent adverse impact. The Group adopts measures, as deemed necessary and appropriate, to mitigate risks.

In determining reasonable leverage, the Group evaluates its cost of capital and manages its level of debt to maintain an optional cost of capital based in current conditions. The Group considers its equity as capital amounting to ₱2,117,562,655 and ₱961,560,611 as at December 31, 2023 and 2022, respectively.

The Group is required to maintain debt-to-equity ratios in accordance with its loan agreements (see Note 14).

## 25. Fair Value Measurement

The carrying amounts and estimated fair values of the Group's financial assets and financial liabilities are presented below:

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| **Financial Assets** | | | | |
| Cash | **₱44,888,443** | **₱44,888,443** | ₱82,663,712 | ₱82,663,712 |
| Funds held in escrow | **526,537,923** | **526,537,923** | – | – |
| Trade receivables | **76,491,779** | **76,491,779** | 74,115,524 | 74,115,524 |
| Contract assets | **64,746,552** | **64,746,552** | 54,440,516 | 54,440,516 |
| Due from related parties | **132,849,778** | **132,849,778** | 51,700,660 | 51,700,660 |
| Refundable deposit | **494,040** | **494,040** | 494,040 | 494,040 |
| Receivables from contractors | **65,941,707** | **65,941,707** | 65,941,707 | 65,941,707 |
| Restricted cash | **8,941,245** | **8,941,245** | 8,704,590 | 8,704,590 |
| | **₱920,891,467** | **₱920,891,467** | ₱338,060,749 | ₱338,060,749 |
| **Financial Liabilities** | | | | |
| Trade and other payables* | **₱615,091,790** | **₱615,091,790** | ₱414,320,492 | ₱414,320,492 |
| Loans payable | **1,783,605,790** | **2,049,141,297** | 1,442,685,889 | 1,460,474,270 |
| Due to related parties | **778,434,703** | **778,434,703** | 759,080,119 | 759,080,119 |
| Retention payable - net of current portion | **80,466,710** | **80,466,710** | 49,914,209 | 49,914,209 |
| | **₱3,257,598,993** | **₱3,523,134,500** | ₱2,666,000,709 | ₱2,683,789,090 |

**Excludes statutory payables amounting to ₱710,698 and ₱14,932,795 as at December 31, 2023 and 2022, respectively.*

Management has determined that the carrying amounts of cash, trade receivables, contract assets, due from related parties, refundable deposit, receivables from contractors, trade and other payables (excluding statutory payables), due to related parties, and current portion of retention payable approximate their fair values because of their short-term maturities and demand feature.

The fair value of the loans payable is classified under level 2 (significant observable inputs) of the fair value hierarchy. The fair value is the present value of all future cash flows discounted using applicable rates for similar types of loans.

The discount rates used are 1.00% to 6.04% and 1.00% to 6.98% in 2023 and 2022, respectively.

## 26. Basic/Diluted Earnings per Share

The following table presents information necessary to calculate income per share:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Net income attributable to the equity holders of the Parent Company from: | | | |
| Continuing operations | **₱165,119,223** | ₱128,032,165 | ₱79,393,629 |
| Discontinued operations | **–** | 23,108,179 | (12,104,380) |
| | **165,119,223** | 151,140,344 | 67,289,249 |
| Weighted average number of common shares | **508,333,334** | 425,000,000 | 150,000,000 |
| Basic/diluted earnings per share from continuing operations | **₱0.32** | ₱0.30 | ₱0.53 |
| Basic/diluted earnings per share | **₱0.32** | ₱0.36 | ₱0.45 |

Earnings per share is calculated using the net income divided by the weighted average number of common shares. The Group has assessed that there were no dilutive common shares as at December 31, 2023, 2022 and 2021.

## 27. Segment Reporting

For management reporting purposes, the Group is organized based on its activities and has one operating segment which is the renewable energy generation segment. This segment undertakes the generation of electricity through hydroelectric power plants which are within the Group's country of domicile.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
August 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1226 Philippines
**Phone** : +632 8 982 9100
**Fax** : +632 8 982 9111
**Website** : www.reyestacandong.com

**REPORT OF INDEPENDENT AUDITORS**
**ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Repower Energy Development Corporation and Subsidiaries
3rd Floor JTKC Center
2155 Chino Roces Ave.
Makati City

We have audited in accordance with Philippines Standards on Auditing (PSA), the consolidated financial statements of Repower Energy Development Corporation and Subsidiaries (the Group) as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 have issued our report thereon dated April 18, 2024. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole.

The following supplementary schedules are the responsibility of the Group's management. These are presented for purposes of complying with Revised Securities Regulation Code Rule 68 Part II, and are not part of the basic consolidated financial statements:

- Financial Soundness Indicators
- Conglomerate Map
- Supplementary Schedules as Required by Part II of the Revised Securities Regulation Code Rule 68
- Supplementary Schedule on Retained Earnings Available for Dividend Declaration

The supplementary schedules have been subjected to the audit procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

The Schedule of Financial Soundness Indicators, including definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. The financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022.

**REYES TACANDONG & CO.**

ARTHUR VINSON U. ONG
Partner
CPA Certificate No. 120745
Tax Identification No. 253-222-555-000
BOA Accreditation No. 4782/P-018; Valid until June 6, 2026
BIR Accreditation No. 08-005144-015-2023
Valid until June 4, 2026
PTR No. 10072419
Issued January 2, 2024, Makati City

April 18,2024
Makati City, Metro Manila



**Reyes Tacandong & Co.** is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## FINANCIAL SOUNDNESS INDICATORS

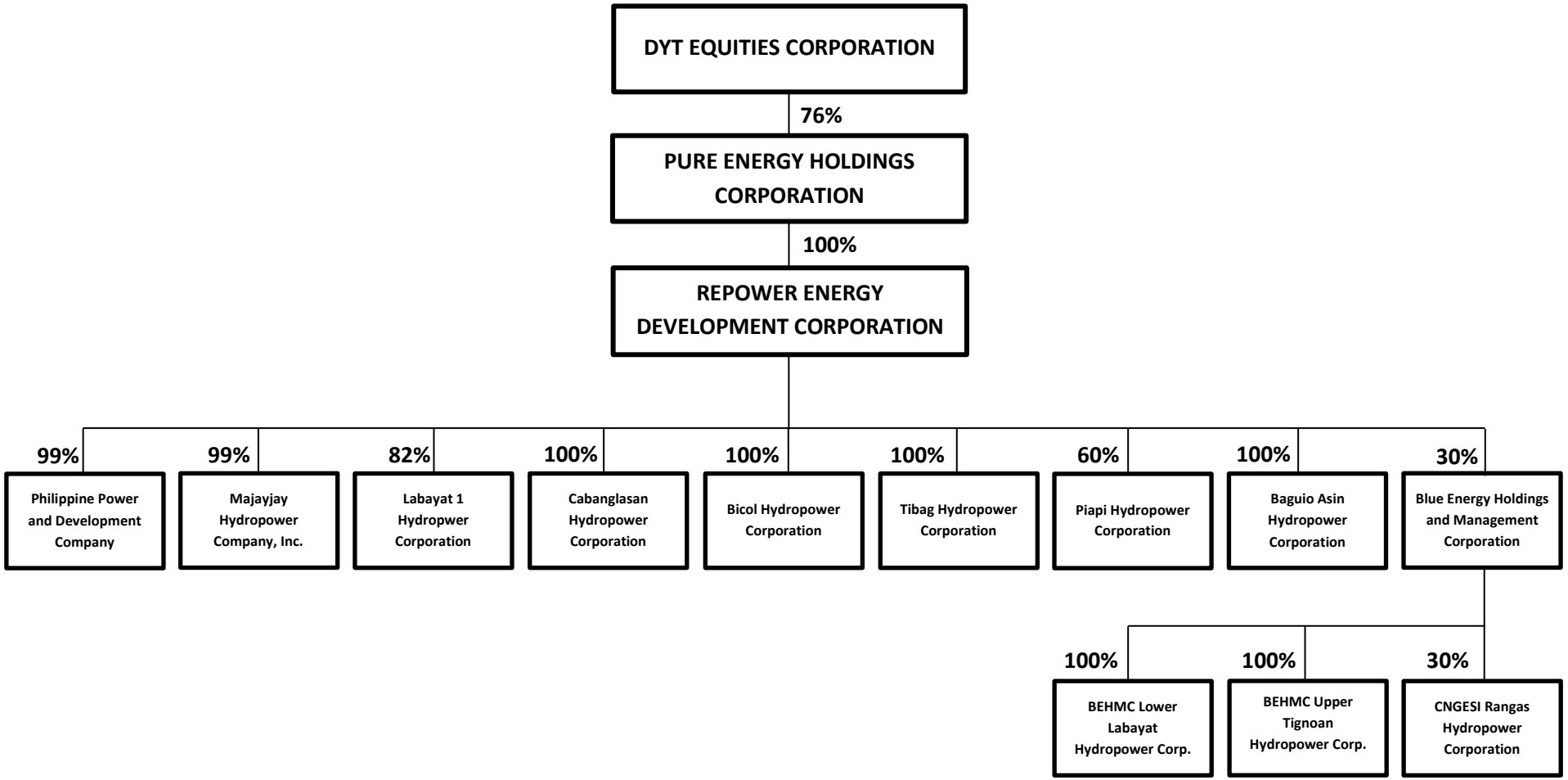
Below is a schedule showing financial soundness indicators of the Group as at and for the year ended December 31, 2023 and 2022.

| Ratio | Formula | **2023** | 2022 |
|---|---|---|---|
| Current ratio | Current assets/current liabilities | **0.29:1** | 0.24:1 |
| Acid test ratio | Quick assets/current liabilities | **0.20:1** | 0.20:1 |
| Solvency ratios | Net income before amortization and depreciation/total liabilities | **0.08:1** | 0.09:1 |
| Debt-to-equity ratio | Total liabilities/total equity | **1.55:1** | 2.78:1 |
| Asset-to-equity ratio | Total assets/total equity | **2.55:1** | 3.78:1 |
| Interest rate coverage ratio | Net income before tax expense/interest expense | **2.38:1** | 1.98:1 |
| Return on equity | Net income/average shareholder's equity | **0.11:1** | 0.18:1 |
| Return on assets | Net income/average total assets | **0.04:1** | 0.05:1 |
| Net profit margin | Net income/revenue | **0.71:1** | 0.73:1 |

# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## CONGLOMERATE MAP

**DECEMBER 31, 2023**



## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

### SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II of the REVISED SRC RULE 68

**DECEMBER 31, 2023**

**Table of Contents**


| *Schedule* | *Description* | *Page* |
|---|---|---|
| A | Financial Assets | N/A |
| B | Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties) | N/A |
| C | Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements | 1 |
| D | Long-Term Debt | 2 |
| E | Indebtedness to Related Parties (Long-Term loans from Related Parties) | N/A |
| F | Guarantees of Securities of Other Issuers | N/A |
| G | Capital Stock | 3 |

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS

**DECEMBER 31, 2023**

| | | | *Deductions* | | *Ending Balance* | | |
|---|---|---|---|---|---|---|---|
| ***Name and designation of debtor*** | ***Balance at beginnning of year*** | ***Additions*** | ***Amounts collected*** | ***Amounts written off*** | ***Current*** | ***Noncurrent*** | ***Balance at end of year*** |
| Repower Energy Development Corporation | ₱354,963,899 | ₱– | (₱69,742,332) | ₱– | ₱285,221,567 | ₱– | ₱285,221,567 |
| Labayat 1 Hydropower Corporation | 227,391,243 | – | (212,891,243) | – | 14,500,000 | – | 14,500,000 |
| Bicol Hydropower Corporation | 10,823,981 | – | (10,420,648) | – | 403,333 | – | 403,333 |
| Tibag Hydropower Corporation | – | 83,590,209 | – | – | 83,590,209 | – | 83,590,209 |
| Cabanglasan Hydropower Corporation | – | 14,634,592 | – | – | 14,634,592 | – | 14,634,592 |
| Piapi Hydropower Corporation | – | 20,147,443 | – | – | 20,147,443 | – | 20,147,443 |
| | ₱593,179,123 | ₱118,372,244 | (₱293,054,223) | ₱ | ₱418,497,144 | ₱ | ₱418,497,144 |

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## SCHEDULE D – LONG TERM DEBT

**DECEMBER 31, 2023**

| *Title of Issue and Type of Obligation* | *Amount Authorized by Indenture* | *Amount shown under caption "Current portion of Loans payable" in related balance sheet* | *Amount shown under caption "Loans payable - net of current portion " in related balance sheet* |
|---|---|---|---|
| Individual | ₱– | ₱– | ₱– |
| Local creditor bank – A | 619,925,525 | 9,999,680 | 609,925,845 |
| Local creditor bank – B | 309,111,787 | 36,986,362 | 272,125,425 |
| Local creditor bank – C | 208,740,728 | 23,369,927 | 185,370,801 |
| Local creditor bank – D | 132,043,517 | 22,800,000 | 109,243,517 |
| Local creditor bank – E | 100,000,000 | 21,724,421 | 78,275,579 |
| Local creditor bank – F | 413,784,233 | – | 413,784,233 |
| | ₱1,783,605,790 | ₱114,880,390 | ₱1,668,725,400 |

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## SCHEDULE G – CAPITAL STOCK

**DECEMBER 31, 2023**

| *Title of Issue* | *Number of shares authorized* | *Number of shares issued and outstanding as shown under the related statement of financial position caption* | *Number of shares reserved for options,warrants, conversion and other rights* | *Number of shares held by* | | |
|---|---|---|---|---|---|---|
| | | | | *Related parties* | *Directors, officers and employees* | *Others* |
| Common stock - ₱1 par value | 750,000,000 | 650,000,002 | – | 439,999,995 | 5 | 210,000,002 |

## PARENT COMPANY'S RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

**FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2023**

## REPOWER ENERGY DEVELOPMENT CORPORATION

Address: 3rd Floor JTKC Center, 2155 Chino Roces Ave., Makati City

| | | Amount |
|---|---|---|
| Deficit, beginning of reporting period | | (₱186,447,570) |
| Add: Category A: Items that are directly credited to unappropriated retained earnings | | |
| Reversal of retained earnings appropriation/s | – | |
| Effect of restatements or prior-period adjustments | – | |
| Others: | | |
| Accumulated share in net loss of an associate | 11,213,667 | 11,213,667 |
| Deficit, beginning of reporting period as adjusted | | (175,233,903) |
| Add/less: Net loss for the current year | | (18,588,368) |
| | | (193,822,271) |
| Add/less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution | | |
| Share in net loss of an associate | 3,612,394 | 3,612,394 |
| Total deficit, end of the reporting period available for dividend | | (₱190,209,877) |

# COVER SHEET

| C | S | 2 | 0 | 1 | 3 | 1 | 0 | 1 | 2 | 4 |
|---|---|---|---|---|---|---|---|---|---|---|

S.E.C. Registration Number

| R | E | P | O | W | E | R |  | E | N | E | R | G | Y |  | D | E | V | E | L | O | P | M | E | N | T |  | C | O | R |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| P | O | R | A | T | I | O | N |  | A | N | D |  | S | U | B | S | I | D | I | A | R | I | E | S |  |  |  |  |  |

(Company's Full Name)

| 3 | R | D |  | F | L | O | O | R |  | J | T | K | C |  | C | E | N | T | E | R | , |  | 2 | 1 | 5 | 5 |  | C | H |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| I | N | O |  | R | O | C | E | S |  | A | V | E | . | , |  | M | A | K | A | T | I |  | C | I | T | Y |  |  |  |  |

(Business address: No. Street City / Town / Province)

| ERIC PETER Y. ROXAS | (632) 8818 8892 |
|---|---|
| Contact Person | Company Telephone Number |

| 1 | 2 | 3 | 1 | 1 | 7 | - | A |  | June 30 |
|---|---|---|---|---|---|---|---|---|---|
| Month | Day | | | Form Type | | | | | Month Day |
| Fiscal Year | | | | | | | | | Annual Meeting |

| N/A |
|---|
| Secondary License Type, If Applicable |

| M | S | R | D |
|---|---|---|---|

Dept. Requiring this Doc.

| - |
|---|
| Amended Articles Number/Section |

Total Amount of Borrowings

| | - | - |
|---|---|---|
| Total No. of Stockholders | Domestic | Foreign |

---

Top be accomplished by SEC Personnel Concerned

| | |
|---|---|
| | LCU |
| | CASHIER |

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-A**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended March 31, 2024

2. SEC Identification No. CS201310124

3. BIR Tax Identification No. 008-541-419-000

4. Exact name of issuer as specified in its charter Repower Energy Development Corporation

5. Province, country or other jurisdiction of incorporation or organization Philippines

6. Industry Classification Code [ ] (SEC Use Only)

7. Address of principal office 3rd Floor JTKC Center, 2155 Chino Roces Ave., Makati City
   Postal Code 1230

8. Issuer's telephone number, including area code (02) 8818-8892

9. Former name or former address, if changed since last report N/A

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding |
|---|---|
| COMMON | 650,000,002 |

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [✓] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
    Philippine Stock Exchange - ALL Outstanding Common Shares

12. Are any or all of the securities listed on a Stock Exchange?

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports

    Yes [✓] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.

    Yes [✓] No [ ]

## PART I - FINANCIAL INFORMATION

Section 1. Financial Statements
- ***See Attached.***

Section 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- ***See Attached.***

## PART II - OTHER INFORMATION

There are no other information for the period not previously reported in SEC Form 17-C.

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

| | |
|---|---|
| Issuer | REPOWER ENERGY DEVELOPMENT CORPORATION |
| Signature and Title | ERIC PETER Y. ROXAS, *President* |
| Date | |
| Signature and Title | ROLANDO P. DOMINGO, *Chief Financial Officer* |
| Date | |

**Section 1.**

# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS**
**AS AT MARCH 31, 2024 AND DECEMBER 31, 2023**
**AND FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023**

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
**MARCH 31, 2024 AND DECEMBER 31, 2023**

| | *Note* | **March 31, 2024** | December 31, 2023 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash | *6* | **₱118,220,294** | ₱44,888,443 |
| Funds held in escrow | *7* | **526,537,923** | 526,537,923 |
| Trade and other receivables | *8* | **179,574,310** | 132,814,321 |
| Due from related parties | *19* | **93,403,615** | 132,849,778 |
| Other current assets | *9* | **167,388,616** | 139,741,747 |
| **Total Current Assets** | | **1,085,124,758** | 976,832,212 |
| **Noncurrent Assets** | | | |
| Investments in associates | *10* | **40,365,139** | 40,365,139 |
| Property, plant and equipment | *11* | **3,974,446,009** | 3,976,619,647 |
| Advances to contractors and suppliers - net of current portion | *12* | **428,492,716** | 267,167,509 |
| Goodwill | *4* | **135,950,686** | 135,950,686 |
| Other noncurrent assets | *9* | **14,394,987** | 17,330,755 |
| **Total Noncurrent Assets** | | **4,593,649,537** | 4,437,433,736 |
| | | **₱5,678,774,295** | ₱5,414,265,948 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | *13* | **₱671,908,607** | ₱620,793,590 |
| Current portion of loans payable | *14* | **97,978,460** | 114,880,390 |
| Due to related parties | *19* | **731,352,959** | 778,434,703 |
| **Total Current Liabilities** | | **1,501,240,026** | 1,514,108,683 |
| **Noncurrent Liabilities** | | | |
| Loans payable - net of current portion | *14* | **1,927,621,559** | 1,668,725,400 |
| Retention payable - net of current portion | *13* | **28,802,725** | 80,466,710 |
| Contract liability | | **26,113,488** | 26,113,488 |
| Retirement liability | | **5,088,972** | 5,088,972 |
| Net deferred tax liabilities | *21* | **2,200,040** | 2,200,040 |
| **Total Noncurrent Liabilities** | | **1,989,826,784** | 1,782,594,610 |
| **Total Liabilities** | | **3,491,066,810** | 3,296,703,293 |
| **Equity** | | | |
| Capital stock | 16 | **650,000,002** | 650,000,002 |
| Additional paid-in capital | | **1,095,920,304** | 1,095,920,304 |
| Retained earnings | | **347,824,693** | 278,571,843 |
| Other comprehensive income | | **579,425** | 579,425 |
| Other equity reserve | 4 | **(39,802,416)** | (39,802,416) |
| | | **2,054,522,008** | 1,985,269,158 |
| Non-controlling interest | 5 | **133,185,477** | 132,293,497 |
| **Total Equity** | | **2,187,707,485** | 2,117,562,655 |
| | | **₱5,678,774,295** | ₱5,414,265,948 |

*See accompanying Notes to the Consolidated Financial Statements.*

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023**

| | Note | **2024** | 2023 |
|---|---|---|---|
| **SALE OF ELECTRICITY** | 22 | **₱170,513,521** | ₱120,958,995 |
| **COST OF SALE OF ELECTRICITY** | 17 | **45,328,190** | 31,176,549 |
| **GROSS INCOME** | | **125,185,331** | 89,782,446 |
| **OPERATING EXPENSES** | 18 | **(26,757,386)** | (20,988,043) |
| **INTEREST EXPENSE** | 14 | **(28,683,945)** | (15,968,456) |
| **INTEREST INCOME** | | **13,017** | 4,542 |
| **INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS** | | **69,757,017** | 52,830,489 |
| **INCOME TAX BENEFIT** | 21 | | |
| Current | | **–** | – |
| Deferred | | **(387,813)** | – |
| | | **(387,813)** | – |
| **NET INCOME FROM CONTINUING OPERATIONS** | | **70,144,830** | 52,830,489 |
| **NET INCOME FROM DISCONTINUED OPERATIONS** | | **–** | – |
| **NET INCOME** | | **70,144,830** | 52,830,489 |
| **OTHER COMPREHENSIVE INCOME** | | **–** | – |
| **TOTAL COMPREHENSIVE INCOME** | | **₱70,144,830** | ₱52,830,489 |
| **NET INCOME/ TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:** | | | |
| Equity holders of the Parent Company | | **₱69,252,850** | ₱50,614,362 |
| Non-controlling interest | 5 | **891,980** | 2,216,127 |
| | | **₱70,144,830** | ₱52,830,489 |
| **BASIC/DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS** | 25 | **₱0.11** | ₱0.12 |
| **BASIC/DILUTED EARNINGS PER SHARE** | 25 | **₱0.11** | ₱0.12 |

*See accompanying Notes to the Consolidated Financial Statements.*

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023**

| | *Note* | **2024** | 2023 |
|---|---|---|---|
| **CAPITAL STOCK** - ₱1 par value | *16* | | |
| Balance at beginning and end of period | | **₱650,000,002** | ₱450,000,000 |
| **ADDITIONAL PAID-IN CAPITAL** | | | |
| Balance at beginning and end of period | | **1,095,920,304** | 324,901,466 |
| **RETAINED EARNINGS** | | | |
| Balance at beginning of period | | **278,571,843** | 114,727,620 |
| Net income attributable to equity holders of the Parent Company | | **69,252,850** | 50,614,362 |
| Balance at end of period | | **347,824,693** | 165,341,982 |
| **OTHER EQUITY RESERVE** | *4* | | |
| Balance at beginning and end of period | | **(39,802,416)** | (39,802,416) |
| **OTHER COMPREHENSIVE INCOME** | | **579,425** | – |
| **EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY** | | **2,054,522,008** | 900,441,032 |
| **NON-CONTROLLING INTERESTS** | *5* | | |
| Balance at beginning of period | | **132,293,497** | 111,733,941 |
| Net income | | **891,980** | 2,216,127 |
| Balance at end of period | | **133,185,477** | 113,950,068 |
| | | **₱2,187,707,485** | ₱1,014,391,100 |

*See accompanying Notes to Consolidated Financial Statements.*

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

# UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023**

| | *Note* | **2024** | 2023 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | | **₱69,757,017** | ₱52,830,489 |
| Adjustments for: | | | |
| Depreciation and amortization | *11* | **26,740,440** | 18,311,224 |
| Interest expense | *14* | **28,683,945** | 15,968,456 |
| Interest income | | **(13,017)** | (85,722) |
| Operating income before working capital changes | | **125,168,385** | 87,024,447 |
| Decrease (increase) in: | | | |
| Trade and other receivables | | **(46,759,989)** | (3,361,963) |
| Other assets | | **(22,433,876)** | (81,353,955) |
| Increase (decrease) in: | | | |
| Trade and other payables | | **51,115,017** | (69,136,666) |
| Retention payable | | **(51,663,985)** | 2,231,473 |
| Net cash generated from (used in) operations | | **55,425,552** | (64,596,664) |
| Interest received | | **13,017** | 85,722 |
| Net cash provided by (used in) operating activities | | **55,438,569** | (64,510,942) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Acquisitions of property, plant and equipment | *11* | **(24,566,802)** | (36,485,822) |
| Advances to contractors | | **(161,325,207)** | 10,699,799 |
| Advances made to related parties | | **(47,081,744)** | 40,600,819 |
| Collection of due from related parties | | **39,446,163** | (42,667,796) |
| Net cash used in investing activities | | **(193,527,590)** | (27,853,000) |
| **CASH FLOWS FROM A FINANCING ACTIVITY** | | | |
| Availment of loans payable | | **241,994,229** | 82,496,599 |
| Interest paid | | **(28,683,945)** | (15,968,456) |
| Net cash provided by a financing activity | | **213,310,284** | 66,528,143 |
| **NET INCREASE IN CASH** | | **75,221,263** | (25,835,799) |
| **CASH AT BEGINNING OF PERIOD** | | **44,888,443** | 82,663,712 |
| **CASH AT END OF PERIOD** | | **₱120,109,706** | ₱56,827,913 |

*See accompanying Notes to Consolidated Financial Statements.*

## 1. Reporting Entity

**Repower Energy Development Corporation (REDC or the Parent Company)**
REDC was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on May 29, 2013. REDC was organized primarily to develop and generate renewable energy resources.

REDC is a wholly-owned subsidiary of Pure Energy Holdings Corporation (PEHC). PEHC is an investment holding company which engages primarily in renewable energy generation and water system management and distribution. PEHC is a 76%-owned subsidiary of DYT Equities Corporation (the Ultimate Parent Company). All the foregoing entities are incorporated in the Philippines.

On October 24, 2022, the Board of Directors (BOD) and stockholders approved the Parent Company's application for listing of a portion of its common shares in the Philippine Stock Exchange (PSE). On July 24, 2023, a total of 200,000,000 common shares of REDC were listed in the PSE at an offer price of up to ₱5.00 per share.

The Parent Company's principal office address is located at 3rd Floor JTKC Center, 2155 Chino Roces Ave., Makati City.

**Subsidiaries**
The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries (collectively referred to as "the Group"), which are all engaged in the renewable energy generation and distribution:

| | Effective Percentage of Ownership | | | |
|---|---|---|---|---|
| | **2024** | | 2023 | |
| Name of Subsidiaries | **Direct** | **Indirect** | Direct | Indirect |
| Philippine Power and Development Company (PPDC) | **99%** | **–** | 99% | – |
| Majayjay Hydropower Company, Inc. (MHCI) | **99%** | **–** | 99% | – |
| Labayat 1 Hydropower Corporation (L1HC) | **82%** | **–** | 60% | – |
| Tibag Hydropower Corporation (THC) | **100%** | **–** | 100% | – |
| Cabanglasan Hydropower Corporation (CHC) | **100%** | **–** | 100% | – |
| Bicol Hydropower Corporation (BHC) | **100%** | **–** | 100% | – |
| Piapi Hydropower Corporation (PHC) | **60%** | **–** | 60% | – |
| Baguio Asin Hydropower Corporation (BAHC) | **100%** | **–** | 100% | – |
| Pure Meridian Hydropower Corporation (PMHC)* and Subsidiaries: | **–** | **–** | – | – |
| PMHC Lalawinan Inc. (PLI)** | **–** | **–** | – | – |
| PMHC Pulanai Inc. (PPI)** | **–** | **–** | – | – |
| Maramag Hydropower Corporation (MHC) | **–** | **–** | – | – |

**Indirect ownership of 50% plus one (1) share*
***Wholly-owned subsidiary of PMHC*

In 2021, the Parent Company sold its investment in MHC shares to a third party. MHC's operations were not considered a separate major line of business or geographical area of operations. Accordingly, the disposal of MHC was not presented as a discontinued operation.

On November 4, 2022, the Parent Company assigned its investment in PMHC to a related party for ₱40,750,000. PMHC's operations were considered a separate major line of business or geographical area of operations. Accordingly, the disposal of PMHC was presented as a discontinued operation in the said period.

As at March 31, 2024 and December 31, 2023, the operating subsidiaries of the Parent Company are PPDC, MHCI, L1HC, THC and BHC. As at March 31, 2024 and December 31, 2023, CHC and PHC and BAHC are at its pre-operating stages.

**Associates**
The Group has the following associates:

| Name of Associates | Nature of Business | Principal Place of Business | Effective Percentage of Ownership | |
|---|---|---|---|---|
| | | | **2024** | 2023 |
| Blue Energy Holdings and Management Corporation (BEHMC) | Holding and Investments | Unit 308 Greenhills Mansion 37 Annapolis St., Greenhills San Juan City | **30%** | 30% |
| BEHMC Lower Labayat Hydropower Corp. (BLLHC)* | Power Generation Through Renewable Energy | Unit 308 Greenhills Mansion 37 Annapolis St., Greenhills San Juan City | **30%** | 30% |
| BEHMC Upper Tignoan Hydropower Corp. (BUTHC)* | Power Generation Through Renewable Energy | Unit 308 Greenhills Mansion 37 Annapolis St., Greenhills San Juan City | **30%** | 30% |
| Tubig Nabua Inc. (TNI)* | Water Supply Management and Distributions | Nabua Water District, Lourdes Hospital Road, San Francisco (POB.) Nabua, Camarines Sur | **–** | – |

**100%-owned by BEHMC*
***30%-owned by PPDC*

In 2022, the Group assigned its 30% ownership interest in TNI to a related party.

## 2. Summary of Significant Accounting Policies

**Basis of Preparation**
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

The Group's consolidated financial statements were prepared in compliance with the Revised Securities Regulation Code (SRC) Rule 68, in relation to the Group's planned application for listing (see Note 1).

The accounting policies adopted were consistently applied in the preparation of the consolidated financial statements for the periods presented.

**Measurement Bases**
The consolidated financial statements are presented in Philippine Peso, the Group's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset or consideration paid in exchange for the incurrence of a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date. The Group uses market observable data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 − Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 24 to the consolidated financial statements.

**Adoption of Amended to PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS effective beginning January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.

- Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.

- Amendments to PAS 12, Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

- Amendments to PAS 1, Classification of Liabilities as Current or Noncurrent – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

The adoption of the amended PFRS did not materially affect the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

**Amended PFRS Issued But Not Yet Effective or Adopted**

Relevant amendments to PFRS, which are not yet effective as at December 31, 2023 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

- Amendments to PAS 7, *Statement of Cash Flows* and PFRS 7, *Financial Instrument: Disclosures - Supplier Finance Arrangements* – The amendments introduced new disclosure requirements to enable users of the financial statements assess the effects of supplier finance arrangements on the liabilities, cash flows and

exposure to liquidity risk. The amendments also provide transitional relief on certain aspects, particularly on the disclosures of comparative information. Earlier application is permitted.

Deferred effectivity –

- Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28 - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS is not expected to have any material effect on the consolidated financial statements of the Company. Additional disclosures will be included in the consolidated financial statements, as applicable.

**Basis of Consolidation**

*Subsidiaries.* Subsidiaries are entities controlled by the Parent Company. The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. The Parent Company has control when it is exposed, or has a right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the controlling equity ownership (i.e., acquisition of non-controlling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; or
- The Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. They are presented in the consolidated statements of financial position within equity, apart from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statements of comprehensive income.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the former subsidiary from the consolidated statements of financial position;
- Recognizes any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRS. That retained interest is remeasured, and the remeasured value is regarded as the fair value on initial recognition of a financial asset in accordance with PFRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture; and

- Recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

*Business Combinations*. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are recognized as expense.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9 is measured at fair value with changes in fair value recognized either in profit or loss or other comprehensive income. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

*Goodwill*. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**Classification of Assets and Liabilities between Current and Noncurrent**

The Group presents current and noncurrent assets, and current and noncurrent liabilities, as separate disclosure in the consolidated notes to financial statements.

*Current Assets.* The Group classifies an asset as current when:

a. it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
b. it holds the asset primarily for the purpose of trading;
c. it expects to realize the asset within twelve months after the reporting period, or
d. the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Otherwise, the Group will classify all other assets as noncurrent.

*Current Liabilities.* The Group classifies a liability as current when:

a. it expects to settle the liability in its normal operating cycle;
b. it holds the liability primarily for the purpose of trading;
c. the liability is due to be settled within twelve months after the reporting period, or
d. it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise, the Group will classify all other liabilities as noncurrent.

**Financial Assets and Liabilities**

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable is done using trade date accounting.

*Initial Recognition.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

*"Day 1" Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transactions price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

*Classification of Financial Instruments.* The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and, (c) financial assets at fair value through other comprehensive income (FVOCI).

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model.

As at March 31, 2024 and December 31, 2023, the Group has no financial assets and liabilities at FVPL and financial assets at FVOCI.

*Financial Assets at Amortized Cost.* A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Included in this category are cash, trade and other receivables (excluding receivables from employees), due from related parties, and refundable deposit, restricted cash and receivables from contractors (presented under "Other assets" account).

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash

or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

This category includes trade and other payables (excluding statutory payables), loans payable, due to related parties and retention payable.

**Reclassification**
The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss. Meanwhile, for a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

**Impairment of Financial Assets at Amortized Cost**
The Group records an allowance for expected credit loss (ECL) on financial assets at amortized cost based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

The Group measures loss allowances at an amount equivalent to the 12-month ECL for financial assets on which credit risk has not increased significantly since initial recognition or that are determined to have low credit risk at reporting date. Otherwise, impairment loss will be based on lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at reporting date with the risk of a default occurring on the financial instrument on the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort. In addition, the Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at reversal date.

*Trade Receivables.* The Group only has few customers which can be graded individually. The ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

*Other Financial Assets Measured at Amortized Cost.* For these financial assets, the Group applies the general approach in determining ECL. The Group recognizes an allowance based on either the 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

A financial asset is written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

**Derecognition of Financial Assets and Liabilities**

*Financial Assets.* A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Financial Liabilities*. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

**Offsetting Financial Assets and Liabilities**
Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

**Classification of Financial Instrument between Liability and Equity**
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

**Other Assets**
Other assets include input value-added tax (VAT), input VAT for refund, advances to employees, creditable withholding tax (CWT), prepayments, deferred input VAT, advances to contractors and suppliers, and refundable deposit (a financial asset).

*Input VAT.* The net amount of VAT recoverable from the tax authority is included as part of "Other current assets" account in the consolidated statements of financial position.

Revenues, expenses and assets are recognized net of the amount of VAT except where VAT incurred on a purchase of assets or services is not recoverable from the tax authority.

*Input VAT Refund.* Input VAT refund pertains to previously declared input VAT incurred from purchase of assets or services that are claimed for refund from the tax authority.

*Advances to Employees.* Advances to employees pertain to cash advanced to be used in the Group's operations. These advances are subject to liquidation. Advances to officers and employees expected to be liquidated for no more than 12 months after the financial reporting period are classified as other current assets.

*CWT*. CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source.

*Prepayments.* Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be incurred no more than 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

*Deferred Input VAT*. Deferred input VAT represents the unamortized amount of input VAT on the unpaid portion of availed services, including the use or lease of properties.

*Advances to Contractors.* Advances to contractors pertain to the advance payments for the rehabilitation and development of the Group's hydropower plants. These are applied on every payment of progress billing depending on the percentage of completion.

*Advances to Suppliers.* Advances to suppliers represent advance payments on services to be incurred in connection with the Group's operations. These are capitalized in the consolidated statements of financial position, upon actual receipt of services, which is normally within 12 months or within the normal operating cycle which are presented as part of current assets in the consolidated statements of financial position.

**Investments in Associates**

The Group's investments in associates, where there is significant influence, are accounted for under the equity method. These also include investments where the Group holds 20% or more of the voting stocks but does not have control over the associate or where, even though the Group holds 20% or less, the Group has significant influence over operating and financial policies of the associate. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

Under the equity method, investments in associates are carried in the consolidated statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statements of comprehensive income reflect the share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The share in net income or loss of the associates is shown as "Equity share in net income (loss) of associates" account in the consolidated statements of comprehensive income.

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over an associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

**Property, Plant and Equipment**

Property, plant and equipment, except land and construction in progress, are carried at cost less accumulated depreciation and amortization and any impairment losses. Land and construction in progress are carried at cost less any impairment losses.

The initial cost of property, plant and equipment consists of its purchase price, including import duties, and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts when the asset recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to

bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to current operations. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

The cost of replacing a component of an item of property, plant and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

Depreciation and amortization are calculated on the straight-line basis over the estimated useful lives of the property, plant and equipment follows:

| | Number of Years |
|---|---|
| Hydropower plants | 25 |
| Buildings | 15 to 25 |
| Furniture, fixtures and office equipment | 3 to 5 |
| Transportation equipment | 5 to 15 |

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized to profit or loss.

Construction in progress represents properties under construction and is stated at cost, including cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

**Impairment of Nonfinancial Assets**

The carrying amounts of the Group's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash generating unit (CGU) is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Group. Impairment losses are recognized in profit or loss in the period incurred.

The recoverable amount of a nonfinancial asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while the fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less cost of disposal.

In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized.

**Subscription Payable**

Subscription payable pertains to the amount still to be paid for the total subscribed shares.

**Capital Stock and Additional Paid-In Capital**

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs incurred directly

attributable to the issuance of new shares are recognized in equity as deduction from proceeds, net of tax. Unpaid subscriptions are recognized as a reduction of subscribed common shares.

**Retained Earnings (Deficit)**
Retained earnings (deficit) represents the cumulative results of operations, net of prior period adjustments, if any.

**Deposit for Future Stock Subscription**
Deposit for future stock subscription represents the amount received by the Group which it records as such with a view of applying the same as payment for additional issuance of shares or increase in capital stock. The amount recorded in the consolidated statements of financial position is the share of the non-controlling interest since the amount received by the subsidiary from its Parent Company was eliminated during consolidation.

The deposit for future stock subscription is recognized as equity if and only if, all of the following elements forth by the SEC are present as of end of the reporting period:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is BOD's approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented or has been filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability.

**Other Equity Reserve**
Other equity reserve represents net excess of the consideration given up over the carrying amount of the non-controlling interest acquired.

**Earnings Per Share**
The Group presents basic and diluted earnings per share data for its common shares.

Basic earnings per share is calculated by dividing the net income attributable to common shareholders of the Parent Company by the weighted average number of common shares issued and outstanding during the year.

Diluted earnings per share amounts are computed in the same manner, adjusted for the dilutive effect of any potential common shares. There were no dilutive common shares as at December 31, 2023, 2022 and 2021.

**Revenue Recognition**
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

*Variable Consideration.* If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or service to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur and when the associated uncertainty with the variable consideration is subsequently resolved.

The following specific recognition criteria must also be met before revenue is recognized:

*Sale of Electricity.* Revenue from sale of electricity is recognized based on the actual delivery of electricity, net of any adjustments.

*Interest Income.* Interest income is recognized as the interest accrues, taking into account the effective yield on the asset, net of final tax.

*Other Income*. Income from other sources is recognized when earned during the period.

**Contract Balances**
*Contract assets*. Contract assets are recognized when the Group has already rendered the services to the customer but where the Group is yet to bill them. Contract assets are subject to impairment assessment in accordance with impairment of financial assets at amortized cost.

*Contract liabilities.* Contract liabilities are recognized if a payment is due to a customer resulting in excess collections over the approved feed-in-tariff (FIT) rate.

**Cost and Expense Recognition**
Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

*Cost of Sale of Electricity.* Cost of sale of electricity are recognized as expense when the related services are rendered.

*Operating Expenses.* Operating expenses constitute costs of administering the business. These are expensed as incurred.

**Leases**
A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the Group has both of the following:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

**Group as Lessee**

*Short-term Leases and Leases of Low-value Assets*. The Group applies the short-term lease recognition exemption to its short-term leases of head office space and staff houses (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term lease are recognized as expense on a straight-line basis over the lease term.

**Employee Benefits**

*Short-term Benefits.* The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

*Retirement Benefits.* The Group has an unfunded, noncontributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, and interest expense in profit or loss. Interest is calculated by applying the discount rate to the retirement liability.

Remeasurement gains and losses are recognized immediately in OCI in the period in which they arise. Remeasurement gains and losses are not reclassified to profit or loss in subsequent periods.

The retirement liability is the aggregate of the present value of the retirement liability to each qualified employee. The present value of the retirement liability is determined by discounting the estimated future cash outflows using

interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

**Borrowing Costs**
Borrowing costs is recognized in profit or loss using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of interest expense commences when expenditures for the asset and interest are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when all such activities are substantially complete.

**Income Taxes**

*Current Tax*. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused net operating loss carryover (NOLCO) available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same tax authority.

**Related Parties and Related Party Transactions**
Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties.

Parties are considered to be related if one party has the ability to directly or indirectly, control or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled, or under common control with the Group; (b) associates; (c) individuals owning directly or indirectly, an interest in the voting power of the Group that give them significant influence over the Group and close members of the family of any such individual; and (d) members of the key management personnel of the Group.

In considering each possible related party relationship, attention is directly to the substance of the relationship and not merely on the legal form.

**Segment Reporting**
The Group's operating segments are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services to different markets. Financial information on operating segments is presented in Note 26 to the consolidated financial statements. The Chief Executive Officer (CEO), the chief operating decision maker, reviews management reports on a regular basis. The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

For purposes of management reporting, the Group's operating segment is related to its renewable energy generation operations.

**Discontinued Operations**
A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the consolidated statements of comprehensive income.

**Provisions**
Provisions are recognized when the Group has a present, legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

**Contingencies**
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated statements of financial position when an inflow of economic benefits is probable.

**Events After the Reporting Period**
Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

## 3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, accounting estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, accounting estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date.

While the Group has assessed that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The judgments, accounting estimates and underlying assumptions are reviewed on an on-going basis. Changes in accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the change and future periods if the revision affects both current and future periods.

The following are the significant judgments, accounting estimates and assumptions made by the Group:

*Assessing Legal Contingencies.* The Group is currently involved in certain legal proceedings and claims. The Group determined the probable costs for these legal proceedings and claims based upon an analysis of potential results. Management believes that these legal proceedings and claims will not have a material adverse effect on the Group's consolidated financial statements and results of operations.

*Determining Lease Commitments - Group as a Lessee.* The Group has entered into various lease agreements for head office space and staff houses. The Group has elected not to recognize ROU assets on the lease qualifying under the short-term recognition exemption. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Rent expense on the lease qualifying under the short-term recognition exemption are disclosed in Note 22.

*Defining Default and Credit-Impaired Financial Assets.* The Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

a. Quantitative Criteria - the borrower is more than 30 days past due on its contractual payments, which is consistent with the Group's definition of default.

b. Qualitative Criteria - The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is experiencing financial difficulty or is insolvent;
- The borrower is in breach of financial covenants;
- It is probable that the borrower will enter bankruptcy or other financial reorganization.

The definitions above have been applied to all financial instruments held by the Group consistently for internal credit risk management purposes. The default definition has been applied consistently, as well, to the determination of ECL.

*Estimating the ECL on Trade Receivables and Contract Assets.* The Group's trade receivables and contract assets are subject to the ECL model.

The Group applies the general approach in measuring ECL for trade receivables and contract assets since its customers can be graded as low risk. At the end of the reporting year, a loss allowance is recognized at an amount equal to 12-month ECL since there has not been a significant increase in credit risk since initial recognition.

There is no allowance for ECL as at March 31, 2024 and December 31, 2023. The carrying amounts of trade receivables are disclosed in Note 8.

*Assessing the Impairment of Other Financial Assets at Amortized Cost*. The Group determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL are provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime expected credit loss.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group's financial assets at amortized cost are considered to have low credit risk, and therefore the loss allowance is determined as 12 months expected credit losses. The Group has assessed that the ECL for financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and counterparties with good credit standing and relatively low risk of defaults. Accordingly, no impairment loss was recognized in 2024 and 2023.

The carrying amounts of other financial assets at amortized cost are disclosed in Notes 7, 9 and 19.

*Estimating the Useful Lives of Property, Plant and Equipment.* The Group reviews annually the estimated useful lives of property, plant and equipment based on expected asset's utilization, market demands and future technological development consistent with the Group's pursuit of constant modernization of the equipment to ensure the availability, reliability and cost efficiency of the equipment. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property, plant and equipment.

There was no change in the estimated useful lives of property, plant and equipment in 2024 and 2023. The carrying amount of property, plant and equipment are disclosed in Note 11.

*Assessing the Impairment of Nonfinancial Assets.* The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considered important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; or

- significant negative industry or economic trends.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for cash-generating unit to which the asset belongs. No impairment indicators were identified in 2024 and 2023 and thus, no impairment was recognized.

The carrying amounts of the significant nonfinancial assets of the Group are disclosed in Notes 9, 10, 11 and 12.

*Assessing the Impairment of Goodwill.* The Group tests annually whether any impairment in goodwill should be recognized, in accordance with the related accounting policy. The recoverable amount of CGU has been determined based on value in use calculations which require the use of estimates.

Based on the impairment assessment, the recoverable amount of the CGU as at March 31, 2024 and December 31, 2023, calculated based on value in use is greater than the corresponding carrying values (including goodwill) of the CGU.

The carrying amount of goodwill are disclosed in Note 4.

*Recognizing Deferred Tax Assets.* The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The Group's unrecognized and recognized deferred tax assets are disclosed in Note 21.

## 4. Business Combinations and Goodwill

**Business Combinations**

**BHC**
On July 27, 2021, the Parent Company acquired 75% ownership interest in BHC for ₱37,055,556.

The finalized fair values of the identifiable assets acquired and liabilities assumed as at the date of the acquisition were as follows:

| | |
|---|---|
| Assets acquired: | |
| Other receivables | ₱25,000 |
| Property, plant and equipment | 2,390,735 |
| Other assets | 1,749 |
| | 2,417,484 |
| Liabilities assumed - | |
| Trade and other payables | 75,200 |
| Net Assets | ₱2,342,284 |

Goodwill was recognized as follows:

| | |
|---|---|
| Fair value of consideration transferred at acquisition date | ₱37,055,556 |
| Fair value of non-controlling interests in BHC | 585,571 |
| | 37,641,127 |
| Less fair value of net assets | 2,342,284 |
| | ₱35,298,843 |

The non-controlling interests in BHC were based on the proportionate share in BHC's identifiable net assets.

From the date of acquisition, BHC contributed nil to revenue and ₱187,346 of net loss to the Group in 2021. If the combination had taken place at the beginning of 2021, BHC's contribution to the Group's revenue would have been nil and BHC's contribution to the Group's net income would have been ₱1,952,669.

**MHCI**
On November 6, 2019, the Parent Company acquired 99.08% ownership of MHCI resulting to goodwill amounting to ₱86,599,545. Payable attributable to acquisition of a subsidiary amounted to ₱59,251,096 as at March 31, 2024 and December 31, 2023. (see Note 13).

**PPDC**
On July 15, 2015, the Parent Company acquired 45% ownership of PPDC resulting to a goodwill of ₱14,052,298.

In 2016, the Parent Company increased its ownership interest to 99.4% by acquiring the common shares of PPDC resulting to a net excess of the consideration over the carrying amount of the non-controlling interest of ₱8,820,817. The net excess was recorded to "Other equity reserve" account in the consolidated statements of financial position.

**Other Equity Reserve**

*PPDC*
In 2016, the Parent Company increased its ownership interest to 99.4% by acquiring the common shares of PPDC resulting to a net excess of the consideration over the carrying amount of the noncontrolling interest of ₱8,820,817. The net excess was recorded to "Other equity reserve" account in the consolidated statements of financial position.

*BHC*
In 2022, the Parent Company increased its ownership interest in BHC to 100% by acquiring the remaining common shares held by non-controlling shareholders. The excess of the consideration over the carrying amount of the non-controlling interest amounting to ₱30,981,599 was recorded under "Other equity reserve" account in the consolidated statements of financial position.

**Objective of Acquisitions**
The acquisitions of BHC, PPDC and MHCI were executed to expand its hydroelectric power plant operations. The goodwill recognized for the acquisitions are attributable to the expected synergies from combining the operations of the subsidiaries and the technical expertise of the Parent Company.

**Goodwill**
Goodwill from the acquisition of the subsidiaries are as follows:

| | **March 31, 2024** | December 31, 2023 |
|---|---|---|
| MHCI | **₱86,599,545** | ₱86,599,545 |
| BHC | **35,298,843** | 35,298,843 |
| PPDC | **14,052,298** | 14,052,298 |
| | **₱135,950,686** | ₱135,950,686 |

For purposes of impairment testing, the Group determined the recoverable amount of goodwill based on value in use. Value in use is based on discounted cash flow model using the subsidiaries' financial forecasts for the next five years.

Key assumptions used to which the recoverable amounts are most sensitive are revenue growth rates, estimated operational costs, weighted average long-term growth rates and discount rates. Revenue growth rates are based on expected operating results with reference to projected cash flows from stress testing. Operational costs are determined based on average fixed and variable costs adjusted for inflationary increases but not reflecting any future restructurings or cost saving measures.

The Group has assessed that there is no goodwill impairment based on a discounted cash flow model using projected budget for the next five years. The pre-tax weighted average cost of capital of the entities ranges from 5.75% to 8.46%.

The Parent Company assessed that goodwill from business combinations are not deductible for tax purposes.

## 5. Material Non-controlling Interests

The following table summarizes the subsidiaries with material effective percentage of ownership held by non-controlling interests.

| | Principal Place of Business | **2024** | 2023 |
|---|---|---|---|
| L1HC | Real, Quezon | **18%** | 18% |
| PHC | Makati City, Metro Manila | **40%** | 40% |

Non-controlling interests in the consolidated statements of financial position are presented below:

| | **March 31, 2024** | December 31, 2023 |
|---|---|---|
| L1HC | **₱125,713,639** | ₱124,117,583 |
| PHC | **2,973,873** | 3,868,922 |
| Others | **4,497,965** | 4,306,992 |
| | **₱133,185,477** | ₱132,293,497 |

The net income (loss) attributable to non-controlling interests in the consolidated statements of comprehensive income is presented below:

| | **March 31** | |
|---|---|---|
| | **2024** | 2023 |
| L1HC | **₱1,596,056** | ₱3,107,422 |
| Others | **(704,076)** | (891,295) |
| | **₱891,980** | ₱2,216,127 |

The summarized financial information of the material partly-owned subsidiary of the Group, L1HC, is presented below. This information is based on the amounts before intercompany eliminations.

| | **2024** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Current Assets** | **Noncurrent Assets** | **Current Liabilities** | **Noncurrent Liabilities** | **Equity** | **Revenue** | **Net Income (Loss)** | **Total Comprehensive Income (Loss)** |
| L1HC | **₱69,749,228** | **₱894,471,698** | **₱9,510,690** | **₱318,251,665** | **₱636,458,571** | **₱30,053,850** | **₱8,866,980** | **₱8,866,980** |
| PHC | **70,145,545** | **4,142,795** | **23,284,463** | **53,000,000** | **1,996,124** | **–** | **2,237,622** | **2,237,622** |

| | 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Current Assets | Noncurrent Assets | Current Liabilities | Noncurrent Liabilities | Equity | Revenue | Net Income (Loss) | Total Comprehensive Income (Loss) |
| L1HC | ₱24,009,960 | ₱1,044,912,171 | ₱39,943,124 | ₱410,574,018 | ₱618,404,989 | ₱116,873,270 | ₱25,680,073 | ₱25,680,073 |
| PHC | 20,442,472 | 56,758,482 | 20,153,648 | – | 57,047,306 | – | (327,694) | (327,694) |

## 6. Cash

This account consists of:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Cash on hand | **₱212,429** | ₱6,678,900 |
| Cash in banks | **118,007,865** | 38,209,543 |
| | **₱118,220,294** | ₱44,888,443 |

Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations.

Interest income recognized in profit or loss are as follows:

| | | **March 31** | |
|---|---|---|---|
| | Note | **2024** | 2023 |
| Continuing operations | | **₱13,017** | ₱178,093 |
| Discontinued operations | | – | – |
| | | **₱13,017** | ₱178,093 |

## 7. Funds Held in Escrow

The Parent Company appointed a universal bank as the custodian bank (the Custodian Bank) to manage and administer the proceeds of the IPO.

The IPO proceeds are kept separate and distinct from all other funds in custody of the Custodian Bank. The Custodian Bank maintains independent books of records of all the transactions of the escrow account and shall release the proceeds to the Parent Company, subject to the issuance of a letter of instructions, and a written certification under oath, signed by the Chief Financial Officer of the Parent Company, stating the purpose of which the Parent Company shall use the funds, and such purpose is exclusively in accordance with the approved use of proceeds.

The escrow deposit maintained under escrow account with the Custodian Bank amounted to ₱526,537,923 as at March 31, 2024 and December 31, 2023. Net withdrawals from fund held in escrow amounted to ₱423,100,000 in 2023.

Interest income earned amounted to ₱137,924 in 2023.

## 8. Trade and Other Receivables

This account consists of:

| | Note | **March 31, 2024** | December 31, 2023 |
|---|---|---|---|
| Trade | | **₱130,804,565** | ₱76,491,779 |
| Contract assets | 23 | **25,910,181** | 55,012,741 |
| Others | | **22,859,564** | 1,309,801 |
| | | **₱179,574,310** | ₱132,814,321 |

Trade receivables pertain to receivable from sale of electricity in the Wholesale Electricity Spot Market (WESM) under the Feed-in-Tariff (FIT) mechanism and Independent Electricity Market Operator of the Philippines (IEMOP). These are noninterest-bearing and are generally collectible within 30 to 90 days.

## 9. Other Assets

This account consists of:

| | Note | **March 31, 2024** | December 31, 2023 |
|---|---|---|---|
| Receivables from contractors | | **₱65,941,707** | ₱65,941,707 |
| Advances to suppliers and contractors | 12 | **76,687,320** | 26,015,783 |
| Input VAT | | **23,184,110** | 24,425,867 |
| Restricted cash | | **1,889,412** | 8,941,245 |
| Advances to employees | | **4,750,506** | 13,448,220 |
| Prepayments | | **2,506,970** | 2,868,341 |
| Creditable withholding tax | | **2,782,054** | 3,857,351 |
| Deferred Input VAT | | **243,038** | 243,038 |
| Refundable deposit | | **494,040** | 494,040 |
| Contract asset - noncurrent | | **–** | 9,733,811 |
| Others | | **3,304,446** | 2,344,856 |
| | | **181,783,603** | 158,314,259 |
| Noncurrent portion | | **14,394,987** | 17,330,755 |
| | | **167,388,616** | 140,983,504 |
| Allowance for impairment of input VAT | | **–** | 1,241,757 |
| Current portion | | **₱167,388,616** | ₱139,741,747 |

Receivables from contractors pertain to unapplied advances which will be refunded to the Group.

Advances to employees represent cash advances and other loans granted to the Group's employees which are noninterest-bearing in nature and are subject to liquidation.

Restricted cash pertains to cash set aside for payment of financial benefits and energy resources to its host communities pursuant to Energy Regulations (ER) No. 1-94 (see Note 23) and hold-out agreement with a local bank to secure prompt payment of the loan used to partially finance the rehabilitation of the hydropower plants (see Note 14).

## 10. Investments in Associates

Movements in this account are as follows:

| | **March 31, 2024** | December 31, 2023 |
|---|---|---|
| **Acquisition Cost** | | |
| Balance at beginning and end of period | **₱15,000,000** | ₱15,000,000 |
| **Advances For Future Stock Subscription** | | |
| Balance at beginning and end of period | **40,191,200** | 40,191,200 |
| **Accumulated Equity Share in Net Loss of Associates** | | |
| Balance at beginning of period | **(14,826,061)** | (11,213,667) |
| Equity share in net loss | **–** | (3,612,394) |
| Balance at end of period | **(14,826,061)** | (14,826,061) |
| **Carrying Amount** | **₱40,365,139** | ₱40,365,139 |

In 2022, the Group assigned its 30% ownership interest in TNI to a related party and recognized a gain on disposal of investment in associate amounting to ₱4,218,750 (see Notes 1 and 19).

The latest financial information of the Group's associates is summarized below.

| | December 31, 2023 |
|---|---|
| Total current assets | ₱28,228,688 |
| Total noncurrent assets | 715,274,160 |
| Total current liabilities | 392,235,169 |
| Total noncurrent liabilities | 350,687,883 |
| Total equity | 579,796 |
| Total comprehensive loss | 12,041,314 |

The reconciliation of the net assets and the carrying amount of investment in BEHMC and Subsidiaries follows:

| | **March 31, 2024** | December 31, 2023 |
|---|---|---|
| Equity at end of period | **₱579,796** | ₱579,796 |
| Percentage of ownership | **30%** | 30% |
| | **173,939** | 173,939 |
| Advances for future stock subscription | **40,191,200** | 40,191,200 |
| Carrying amount of investment | **₱40,365,139** | ₱40,365,139 |

11. **Property, Plant and Equipment**

Movements and balances of this account consist of:

| | | March 31, 2024 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Hydropower Plants | Construction in Progress | Land | Buildings | Furniture, Fixtures and Office Equipment | Transportation Equipment | Total |
| **Cost** | | | | | | | | |
| Balance at beginning of period | | **₱3,190,647,176** | **₱1,001,152,665** | **₱13,869,359** | **₱24,533,069** | **₱6,173,089** | **₱3,269,950** | **₱4,239,645,308** |
| Additions | | **24,566,802** | **–** | **–** | **–** | **–** | **–** | **24,566,802** |
| Balance at end of period | | **3,215,213,978** | **1,001,152,665** | **13,869,359** | **24,533,069** | **6,173,089** | **3,269,950** | **4,264,212,110** |
| **Accumulated Depreciation and Amortization** | | | | | | | | |
| Balance at beginning of period | | **255,069,086** | **–** | **–** | **2,463,072** | **3,000,153** | **2,493,350** | **263,025,661** |
| Depreciation and amortization | | **25,952,865** | **–** | **–** | **390,461** | **307,004** | **90,110** | **26,740,440** |
| Balance at end of period | | **281,021,951** | **–** | **–** | **2,853,533** | **3,307,157** | **2,583,460** | **289,766,101** |
| **Carrying Amount** | | **₱2,934,192,027** | **₱1,001,152,665** | **₱13,869,359** | **₱21,679,536** | **₱2,865,932** | **₱686,490** | **₱3,974,446,009** |

| | | December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Hydropower Plants | Construction in Progress | Land | Buildings | Furniture, Fixtures and Office Equipment | Transportation Equipment | Total |
| Cost | | | | | | | | |
| Balance at beginning of period | | ₱1,881,823,635 | ₱1,307,486,317 | ₱13,869,359 | ₱10,284,120 | ₱4,312,802 | ₱3,269,950 | ₱3,221,046,183 |
| Additions | | 77,329,396 | 938,000,493 | – | 1,408,949 | 1,860,287 | – | 1,018,599,125 |
| Reclassification | | 1,231,494,145 | (1,244,334,145) | – | 12,840,000 | – | – | – |
| Balance at end of period | | 3,190,647,176 | 1,001,152,665 | 13,869,359 | 24,533,069 | 6,173,089 | 3,269,950 | 4,239,645,308 |
| Accumulated Depreciation and Amortization | | | | | | | | |
| Balance at beginning of period | | 175,056,276 | – | – | 1,259,280 | 2,053,658 | 2,215,540 | 180,584,754 |
| Depreciation and amortization | | 80,012,810 | – | – | 1,203,792 | 946,495 | 277,810 | 82,440,907 |
| Balance at end of period | | 255,069,086 | – | – | 2,463,072 | 3,000,153 | 2,493,350 | 263,025,661 |
| Carrying Amount | | ₱2,935,578,090 | ₱1,001,152,665 | ₱13,869,359 | ₱22,069,997 | ₱3,172,936 | ₱776,600 | ₱3,976,619,647 |

**Property, Plant and Equipment as Loan Securities**
Parcels of land, hydropower plants and construction in progress with a carrying value aggregating ₱3,645,006,776 as at March 31, 2024 and December 31, 2023, were mortgaged as collateral for the Group's (see Note 14).

**Construction in Progress**
Construction in progress pertains to the development costs of the Group's hydropower plant.

**Depreciation and Amortization**
Depreciation and amortization charged to operations are as follows:

| | | March 31 | |
|---|---|---|---|
| | Note | **2024** | 2023 |
| Cost of sale of electricity | 17 | **₱26,108,085** | ₱78,816,554 |
| Operating expenses | 18 | **632,355** | 3,624,353 |
| | | **₱26,740,440** | ₱82,440,907 |

## 12. Advances to Contractors and Suppliers

The balance of this account amounted to ₱428,492,716 and ₱267,167,509 as at March 31, 2024 and December 31, 2023, respectively.

This account consists of advance payments to contractors and suppliers for the construction and development of the Group's hydropower plants and water facilities. These are applied against progress billings based on the percentage of completion.

## 13. Trade and Other Payables

This account consists of:

| | Note | **March 31, 2024** | December 31, 2023 |
|---|---|---|---|
| Trade | | **₱272,070,067** | ₱278,502,639 |
| Accrued expenses | | **154,066,862** | 154,173,755 |
| Current portion of retention payable | | **144,147,605** | 93,218,636 |
| Payable for the acquisition of MHCI shares | 4 | **59,251,096** | 59,251,096 |
| Interest payable | | **40,876,393** | 22,283,895 |
| Statutory payables | | **509,192** | 710,698 |
| Others | | **987,392** | 12,652,871 |
| | | **₱671,908,607** | ₱620,793,590 |

Trade payables are noninterest–bearing and are generally settled in varying periods within one year depending on the arrangements with suppliers and contractors.

Retention payable represents the portion of the contract price that is withheld until the construction works are substantially complete. Retention payable presented in the consolidated statements of financial position are as follows:

| | **March 31, 2024** | December 31, 2023 |
|---|---|---|
| Current | **₱144,147,605** | ₱93,218,636 |
| Noncurrent | **28,802,725** | 80,466,710 |
| | **₱172,950,330** | ₱173,685,346 |

Accrued expenses include accruals for professional fees, taxes and other employee benefits which are generally paid within the subsequent year.

## 14. Loans Payable

This account consists of:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Principal | **₱2,030,654,494** | ₱1,800,736,937 |
| Unamortized debt issue cost | **(5,054,475)** | (17,131,147) |
| Carrying amount | **2,025,600,019** | 1,783,605,790 |
| Current portion | **97,978,460** | 114,880,390 |
| Noncurrent portion | **₱1,927,621,559** | ₱1,668,725,400 |

Movements in this account are as follows:

| | Note | March 31, 2024 | December 31, 2023 |
|---|---|---|---|
| Balance at beginning of year | | **₱1,783,605,790** | ₱1,442,685,889 |
| Availments (payments) - net | | **241,994,229** | 343,043,710 |
| Debt issue cost incurred | | **–** | (5,725,535) |
| Debt issue cost amortization | | **–** | 2,246,377 |
| Amortization of fair value adjustment from business combination | | **–** | 1,355,349 |
| Balance at end of year | | **₱2,025,600,019** | ₱1,783,605,790 |

The Group entered into various loan contracts with local creditor banks to finance and reimburse the construction and rehabilitation of its various projects, with interest rates ranging from 5.5% to 7.5% per annum, and with terms ranging from one to 15 years.

**PLI**
On August 16, 2021, the OLSA was amended thereby extending the facility's availability period until July 15, 2023. PLI also applied for the revision of principal repayment to commence at the 21st quarter from initial drawdown date or in August 2023. PLI was notified by the Bank on August 23, 2021 that it has approved the extension of the grace period to pay the loan principal in August 2023.

**Financial Covenants**
The loans include covenants to maintain certain debt-to-equity ratio, current ratio and debt service ratio during the term of the loan, except for THC which will commence on June 30, 2024, for the debt-to-equity and current ratios and on June 30, 2025, for the debt service coverage ratio. In accordance with the loan agreement, the borrower shall be in default if, in the reasonable opinion of the creditor bank, the noncompliance is not remediable, after a written notice for such failure. As at December 31, 2023, the Group is compliant with these covenants.

**Interest Expense**
Interest expense charged to operations amounted to ₱28,683,945 and ₱70,683,528 for the periods ended March 31, 2024 and 2023, respectively.

## 15. Retirement Liability

The Group has unfunded and non-contributory defined benefit retirement plan covering all its qualified employees. The retirement benefits are based on years of service and compensation on the last year of employment as determined by an independent actuary as at December 31, 2023.

The breakdown of retirement expense in 2023 is as follows:

| | December 31, 2023 |
|---|---|
| Current and past service cost | **₱**5,210,221 |
| Interest expense | 479,748 |
| | ₱5,689,969 |

The movements of retirement liability recognized in the consolidated statements of financial position are as follows:

| | Note | **March 31, 2024** | December 31, 2023 |
|---|---|---|---|
| Balance at beginning of year | | **₱5,088,972** | ₱– |
| Current service cost | | **–** | 697,789 |
| Interest expense | | **–** | 479,748 |
| Past service cost | | **–** | 4,512,432 |
| Remeasurement gain | | **–** | (600,997) |
| Balance at end of year | | **₱5,088,972** | ₱5,088,972 |

The rates used as principal assumptions for the purpose of the actuarial valuation as at December 31, 2023 ranges from 7.0% to 7.4% for discount rate 5.0% for salary projection rate.

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31,2023 is presented below.

| | | Effect on Present Value of Retirement Liability | |
|---|---|---|---|
| | Change in Assumption | Discount Rate | Salary Projection Rate |
| December 31, 2023 | +1% | (₱184,668) | **₱**191,273 |
| | -1% | 209,877 | (170,490) |

The expected future benefit payments within the following years after December 31, 2023 are as follows:

| | |
|---|---|
| Within one (1) year | ₱– |
| After one (1) year but not more than 5 years | 4,193,750 |
| After 5 years but not more than 10 years | 3,446,813 |
| After 10 years but not more than 15 years | 3,469,839 |
| More than 15 years | 13,414,157 |

The weighted average duration of the retirement benefit obligation as at December 31, 2023 ranges from 0.41 to 6.83 years.

## 16. Equity

On November 6, 2019, REDC's BOD and stockholders approved the increase its authorized capital stock from ₱150,000,000 divided into 150,000,000 shares at ₱1.00 par value share to ₱750,000,000 divided into 750,000,000 shares at ₱1.00 par value share. Out of the increase in authorized capital stock, ₱300,000,000 worth of shares has been subscribed and out of such subscription, ₱115,350,626 has been paid through the assignment of advances. On July 14, 2020, REDC filed its application for the increase in authorized capital stock with the SEC. The SEC approved the increase in authorized capital stock on January 31, 2022.

In 2022, upon approval of the increase in authorized capital stock, REDC issued 300,000,000 shares through the application of deposit for future stock subscription amounting to ₱424,901,466 resulting into additional paid-in capital amounting to ₱124,901,466.

Movements in capital stock are as follows:

| | **March 31, 2024** | | December 31, 2023 | |
|---|---|---|---|---|
| | **No. of Shares** | **Amount** | No. of Shares | Amount |
| **Authorized Capital Stock at ₱1 par value** | | | | |
| Balance at beginning and end of year | **750,000,000** | **₱750,000,000** | 750,000,000 | ₱750,000,000 |
| **Issued and Outstanding** | | | | |
| Balance at beginning of year | **650,000,002** | **₱650,000,002** | 450,000,000 | ₱450,000,000 |
| Issuances of shares | **–** | – | 200,000,002 | 200,000,002 |
| Balance at end of year | **650,000,002** | **₱650,000,002** | 650,000,002 | ₱650,000,002 |

17. **Cost of Sale of Electricity**

This account consists of:

| | Note | March 31 2024 | 2023 |
|---|---|---|---|
| Depreciation and amortization | 11 | **₱26,108,085** | ₱18,279,084 |
| Salaries and wages | | **5,112,347** | 4,485,708 |
| Communication and utilities | | **2,702,848** | 1,761,538 |
| Repairs and maintenance | | **527,934** | 900,308 |
| Taxes and licenses | | **3,926,479** | 591,365 |
| Outside services, professional fees and commissions | | **2,024,103** | 1,469,967 |
| Distribution wheeling charges | | **284,075** | 370,017 |
| Transportation | | **274,411** | 164,294 |
| Materials | | **466,066** | 122,928 |
| Rent | 22 | **81,000** | 25,860 |
| Insurance | | **18,397** | 783,056 |
| Others | | **3,802,445** | 2,222,424 |
| | | **₱45,328,190** | ₱31,176,549 |

18. **Operating Expenses**

This account consists of:

| | Note | March 31 2024 | 2023 |
|---|---|---|---|
| Representation and entertainment | | **₱10,072,317** | ₱2,992,656 |
| Taxes and licenses | | **6,127,763** | 3,688,555 |
| Salaries and wages | | **4,422,447** | 3,423,570 |
| Rental | 22 | **1,098,249** | 840,667 |
| Professional fee | | **923,959** | 1,214,579 |
| Communication and utilities | | **730,342** | 720,704 |
| Depreciation and amortization | 11 | **632,355** | 840,558 |
| Outside services | | **602,147** | 2,643,543 |
| Transportation and meals | | **559,534** | 1,264,537 |
| Repairs and maintenance | | **142,885** | 257,391 |
| Fuel, oil and lubricants | | **97,029** | 71,680 |
| Insurance | | **44,237** | 499,298 |
| Research and development cost | | **–** | 28,255 |
| Others | | **1,304,122** | 2,502,050 |
| | | **₱26,757,386** | ₱20,988,043 |

## 19. Related Party Transactions

The Group has transactions with its related parties in the ordinary course of business as follows:

| | Amount of Transactions | | Balance at End of Year | |
|---|---|---|---|---|
| | **March 31, 2024** | December 31, 2023 | **March 31, 2024** | December 31, 2023 |
| **Due from Related Parties** | | | | |
| Stockholders | **₱56,162** | ₱67,106 | **₱56,162** | ₱ - |
| Associate | **–** | – | **17,263** | 17,263 |
| Entities under common control | **–** | 50,537,919 | **93,330,190** | 132,832,515 |
| | | | **₱93,403,615** | ₱132,849,778 |
| **Due to Related Parties** | | | | |
| Stockholders | **₱–** | ₱– | **₱324,821,368** | ₱545,666,890 |
| Entities under common control | **–** | 301,812,028 | **326,983,654** | 631,019,353 |
| Others | **79,358,664** | – | **79,547,937** | 189,273 |
| | | | **₱731,352,959** | ₱1,176,875,516 |

**Due from Related Parties**
These are noninterest-bearing working capital advances, unsecured and are due and demandable. No impairment loss was recognized in 2024 and 2023.

**Due to Related Parties**
These are noninterest-bearing working capital advances, unsecured and are payable in cash and upon demand.

**Compensation of Key Management Personnel**
Compensation of key management personnel of the Group consists of short-term benefits amounting to ₱4.5 million in 2023.

## 20. Discontinued Operations

On November 4, 2022, the Parent Company assigned its ownership interest in PMHC, a subsidiary, to Colossal Petroleum Corporation for ₱40,750,000. As at December 31, 2022, PMHC and its subsidiaries were presented as a discontinued operation.

The results of operations of PMHC and its subsidiaries are presented below:

| | December 31, 2022 |
|---|---|
| Operating expenses | ₱458,175 |
| Interest expense | 21,878,722 |
| | 22,336,897 |
| Gain on disposal | (34,276,628) |
| Net loss (income) from discontinued operations | (₱11,939,731) |

## 21. Income Taxes

The Group has no current income tax due to the income tax holiday and net loss position.

The details of the Group's net deferred tax liabilities are as follows:

| | **March 31, 2024** | December 31, 2023 |
|---|---|---|
| Deferred tax asset - | | |
| Unrealized foreign exchange gain | **₱18,365** | ₱18,365 |
| Deferred tax liabilities: | | |
| Unamortized debt issue cost | **1,728,843** | 1,728,843 |
| Difference between the fair value and carrying amount of property, plant and equipment | **489,562** | 489,562 |
| | **2,218,405** | 2,218,405 |
| | **₱2,200,040** | ₱2,200,040 |

On December 31, 2020, Bureau of Internal Revenue (BIR) issued the Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of the Republic Act No. 11494, otherwise known as "Bayanihan to Recover as One Act". This RR provides that net operating loss of the business or enterprise for taxable years 2020 and 2021 to be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The reconciliation of income tax expense computed at the statutory tax rate to income tax expense (benefit) as shown in the consolidated statements of comprehensive income is summarized as follows:

| | | March 31 | |
|---|---|---|---|
| | Note | **2024** | 2023 |
| Income tax computed at statutory tax rate | | **₱17,439,254** | ₱13,207,622 |
| Add (deduct) tax effects of permanent differences | | **(17,827,067)** | (13,207,622) |
| | | **(₱387,813)** | ₱– |

**Income Tax Holiday**

MHCI, PPDC, L1HC, and PLI are entitled to the following incentives under *Republic Act No. 9513*, *Renewable Energy Act of 2008* upon approval of BOI:

- Exempt from the payment of income taxes levied by the National Government for the first seven (7) years of commercial operations and 10% corporate income tax after the income tax holiday;

  Exemption is valid until:

| | Start of Commercial Operations | Expiry of 7 Year Exemption |
|---|---|---|
| MHCI | May 2019 | April 2026 |
| PPDC: | | |
| Balugbog powerplant | July 2018 | June 2025 |
| Calibato powerplant | January 2019 | December 2026 |
| Palakpakin powerplant | September 2018 | August 2025 |
| L1HC | September 2021 | August 2028 |
| BHC | April 2022 | April 2029 |

- Exempt from payment of tariff duties on the importation of renewable machinery, equipment and materials;
- Special realty tax of 1.5% on equipment and machinery;
- Zero value-added tax rate on the sale of renewable energy sources;
- Zero value-added tax rate on the purchases of goods, properties and services directly related to the development of hydropower plant facilities; and
- Tax exemption on the sale of carbon credits.

**Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act**

On March 26, 2021, the CREATE was approved and signed into law by the country's President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates retrospectively became effective beginning July 1, 2020. Since the Group is entitled to income tax holiday and is in a tax loss position, the change in income tax rate to the Group's consolidated financial statements did not have significant financial impact as at December 31, 2022, 2021 and 2020.

The regular corporate income tax (RCIT) rate used in preparing the consolidated financial statements is 25% as at and for the years ended March 31, 2024 and December 31, 2023.

## 22. Significant Commitments

**Group as a Lessee**

The Group has certain leases for its head office space and staff houses with lease terms of 12 months or less. The Group applied the "short-term lease" recognition exemption for these leases.

Rental expense incurred as follows:

| | Note | March 31 2024 | 2023 |
|---|---|---|---|
| Cost of sale of electricity | 17 | **₱81,000** | ₱25,860 |
| Operating expenses | 18 | **1,098,249** | 840,667 |
| | | **₱1,179,249** | ₱866,527 |

**Renewable Energy Distribution**

**Hydropower Service Contract (HSC)**
The Government, through the Department of Energy (DOE), awarded HSCs to the Group for the exclusive right to explore, develop and utilize hydropower resources within specified contract areas. As at March 31, 2024, the Group has the following HSCs:

- Palakpakin Hydroelectric Power Plant
- Balugbog Hydroelectric Power Plant
- Calibato Hydroelectric Power Plant
- Majayjay Hydroelectric Power Project
- Labayat River (Upper Cascade) Hydroelectric Power Project
- Inarihan Hydroelectric Power Project
- Tibag Hydroelectric Power Project
- Pulanai River Hydroelectric Power Project
- Piapi River Hydroelectric Power Project

**Wind Energy Service Contract (WESC)**
The Government, through the Department of Energy (DOE), awarded WESCs to the Group for the exclusive right to explore, develop and utilize wind energy resources within specified contract areas.

As at March 31, 2024, the Company has one (1) WESC in Mauban, Quezon, which is under the development stage.

The HSC and WESC contracts are for a period is for twenty-five (25) years which is divided into two (2) stages: the pre-development stage and the development or commercial stage.

The pre-development stage refers to preliminary assessment and feasibility study activities. The development or commercial stage commences from the confirmation of commerciality by the DOE and refers to the construction and installation of facilities up to the operation phase.

The HSC and WESCs also provide that the Parent Company may assign or transfer part or all of its rights and/or obligations under the HSC to its affiliate upon compliance with certain requirements.

**Provisional Authority to Operate (PAO) Feed-in-Tariff (FIT) Eligible Power Plant**

*BHC*

In August 2022, the DOE issued COE under the FIT system for Inarihan hydropower plant, which entitled the BHC to the FIT rate.

On October 26, 2023, BHC received a PAO-FIT from ERC. The PAO was issued in favor of BHC's hydropower plant FIT eligibility valid from October 26, 2023 to October 25, 2024 contingent on the validity of permits and licenses issued by other government agencies.

*L1HC*

In December 2021, the DOE issued Certificate of Endorsement (COE) under the FIT system for Upper Labayat Hydroelectric Power Plant (ULHEPP), which entitled the BHC to the FIT rate.

On November 15, 2022, the Company received a PAO-FIT from ERC. The PAO was issued in favor of the Company's hydropower plant FIT eligibility valid from November 15, 2022 to November 14, 2023 contingent on the validity of permits and licenses issued by other government agencies.

*MHCI*

In October 2019, the DOE issued a Certificate of Endorsement (COE) under the FIT system which entitled MHCI to FIT rate commencing on the date of commercial operations. In October 2020, the Energy Regulations Commission (ERC) issued PAO authorizing MHCI to participate in the FIT system for a period of one (1) year from October 14, 2020 to October 13, 2021 contingent on the validity of the permits and licenses issued by other government agencies, and pending compliance with the submission of the Business/Mayor's Permit and the amended Wholesale Electricity Spot Market (WESM) Registration.

On December 3, 2020, MHCI submitted to the ERC the Business/Mayor's Permit and the Notice of Approval for the Amended WESM Registration. On July 7, 2021, the ERC issued the Certificate of Compliance in favor of MHCI's hydroelectric power plant FIT eligibility valid from October 14, 2019 to October 13, 2024.

*PPDC*

In September 2019, the DOE issued COE under the FIT system for Palakpakin and Balugbog hydropower plants, which entitled the PPDC to the FIT rate from 2018 to 2038. On May 2020, the DOE issued the COE under the FIT system for the Calibato hydropower plant, which entitled PPDC to the FIT rate commencing from 2020 to 2040.

On December 2, 2020, PPDC received a PAO-FIT from ERC for Palakpakin, Calibato and Balugbog hydropower plants. The PAO was issued in favor of PPDC's hydropower plants FIT eligibility valid from December 2, 2020 to December 1, 2021 contingent on the validity of permits and licenses issued by other government agencies.

As at report date, PPDC has completed all the requirements set forth in the PAO except for the public offering requirement.

**Renewable Energy Payment Agreement (REPA) with National Transmission Corporation (Transco)**
The Group entered into a REPA with the Transco to set out the rights and obligations relating to the payment of the Actual FIT Revenue to the Group for the electricity generated by the FIT eligible power plants. Under the REPA, Transco, as the FIT Administrator, shall administer the implementation of the FIT System, manage the FIT-All Fund from which renewable energy developers shall be paid, and perform the function of settlement agent for the payment of Actual FIT Revenue to the eligible renewable energy power plants.

In accordance with the agreement, Transco shall pay the actual FIT revenue for all metered generation for a period of 20 years from commercial operations. Any FIT differential, prior to the effectivity of the REPA, shall be billed and collected from Transco over a period, equivalent to the number of months lapsed between the start of commercial operations until the effective date of the REPA. The unbilled FIT differential is recorded under "Contract assets" account.

The Group's contract assets amounted to ₱25,910,181 and ₱64,745,552 as at March 31, 2024 and December 31, 2023, respectively (see Note 8).

**Market Participation Agreement (MPA) with Independent Electricity Market Operator of the Philippines (IEMOP)**
The Group entered into an MPA to be a WESM Participant with IEMOP as its Market Operator to sell bulk energy generated from its hydropower plants subject to WESM rules and manuals.

**Legal Proceedings**
The Group is involved in certain legal proceedings. Management believes that the ultimate liability, if any, with respect to such disputes will not materially affect the financial position of the Group.

## 23. Financial Risk Management Objectives and Policies and Capital Management

The Group's principal financial instruments consist mainly of financial assets and financial liabilities directly related to operations specifically cash, trade and other receivables (excluding advances to employees), due from related parties, refundable deposit, receivables from contractors, trade and other payables (excluding statutory payables), loans payable, due to related parties, and retention payable.

**Financial Risk Management Objectives and Policies**
The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risk. The BOD reviews and agrees on policies for managing each of these risks.

**Credit Risk**
Credit risk is the risk that counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers including related parties, placing deposits with banks and investing in short–term placements.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The Group has significant concentration of credit risk in its trade receivables and contract assets, As discussed in Note 2, the Group only has few customers in 2024 and 2023.

Generally, trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of the debtor to engage in repayment plan, no active enforcement activity and a failure to make contractual payment for a period greater than one (1) year.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, representing the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained is summarized below:

| | **March 31, 2024** | December 31, 2023 |
|---|---|---|
| Cash in banks | **₱118,007,865** | ₱38,209,543 |
| Trade and other receivables* | **171,557,887** | 131,504,520 |
| Due from related parties | **93,403,615** | 132,849,778 |
| Refundable deposit | **494,040** | 494,040 |
| Receivables from contractors | **65,941,707** | 65,941,707 |
| Restricted cash | **1,889,412** | 8,941,245 |
| | **₱451,294,526** | ₱377,940,833 |

**Excluding receivable from employees amounting to ₱8,016,423 and ₱1,309,801 as at March 31, 2024 and December 31, 2023, respectively.*

The table below shows the credit quality and aging analysis of the Group's financial assets:

| | **March 31, 2024** | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | **Past Due But Not Impaired** | | | | |
| | **High Grade** | **Standard Grade** | **1 – 60 Days** | **61 – 90 Days** | **More than 90 Days** | **Allowance for ECL** | **Total** |
| **Lifetime ECL -** | | | | | | | |
| **Trade receivables** | **₱–** | **₱128,710,803** | **₱370,755** | **₱140,869** | **₱1,582,138** | **₱–** | **₱130,804,565** |
| **Contract assets** | **–** | **25,910,181** | **–** | **–** | **–** | **–** | **25,910,181** |
| | **₱–** | **₱154,620,984** | **₱370,755** | **₱140,869** | **₱11,315,949** | **₱–** | **₱156,714,746** |
| **12–month ECL:** | | | | | | | |
| **Cash in banks** | **118,007,865** | **–** | **–** | **–** | **–** | **–** | **118,007,865** |
| **Funds held in escrow** | **526,537,923** | **–** | **–** | **–** | **–** | **–** | **526,537,923** |
| **Due from related parties** | **–** | **93,403,615** | **–** | **–** | **–** | **–** | **93,403,615** |
| **Refundable deposits** | **–** | **494,040** | **–** | **–** | **–** | **–** | **494,040** |
| **Receivables from contractors** | | **65,941,707** | **–** | **–** | **–** | **–** | **65,941,707** |
| **Restricted cash** | **1,889,412** | **–** | **–** | **–** | **–** | **–** | **1,889,412** |
| | **₱646,435,200** | **₱159,839,362** | **₱–** | **₱–** | **₱–** | **₱–** | **₱806,274,562** |
| | **₱646,435,200** | **₱314,460,346** | **₱370,755** | **₱140,869** | **₱11,315,949** | **₱–** | **₱962,989,308** |

| | December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Past Due But Not Impaired | | | | |
| | High Grade | Standard Grade | 1 – 60 Days | 61 – 90 Days | More than 90 Days | Allowance for ECL | Total |
| Lifetime ECL - | | | | | | | |
| Trade receivables | ₱– | 74,398,017 | ₱370,755 | ₱140,869 | ₱1,582,138 | ₱– | ₱76,491,779 |
| Contract assets | – | 55,012,741 | – | – | 9,733,811 | – | 64,746,552 |
| | ₱– | ₱129,410,758 | ₱370,755 | ₱140,869 | ₱11,315,949 | ₱– | ₱141,238,331 |
| 12–month ECL: | | | | | | | |
| Cash in banks | 38,209,543 | – | – | – | – | – | 38,209,543 |
| Funds held in escrow | 526,537,923 | – | | | | | 526,537,923 |
| Due from related parties | – | 132,849,778 | – | – | – | – | 132,849,778 |
| Refundable deposits | – | 494,040 | – | – | – | – | 494,040 |
| Receivables from contractors | – | 65,941,707 | – | – | – | – | 65,941,707 |
| Restricted cash | 8,941,245 | – | – | – | – | – | 8,941,245 |
| | ₱573,688,711 | ₱199,285,525 | ₱– | ₱– | ₱– | ₱– | ₱772,974,236 |
| | ₱573,688,711 | ₱328,696,283 | ₱370,755 | ₱140,869 | ₱11,315,949 | ₱– | ₱914,212,567 |

The Group's financial assets are categorized based on the Group's collection experience with the counterparties as follows:

a. High Grade – settlements are obtained from counterparty following the terms of the contracts without much collection effort.

b. Standard Grade – some reminder follow–ups are performed to obtain settlement from the counterparty.

c. Past Due But Not Impaired – items with history of frequent defaults but are still being collected.

*Cash and Cash Equivalents, Short-term Investment and Restricted Cash.* The credit risk for cash and cash equivalents, short-term investment, financial assets at FVPL and restricted cash is considered negligible because the counterparties are reputable banks with high quality external credit ratings. Thus, the impairment loss is limited to 12-month ECL.

*Due from Related Parties.* The exposure on due from related parties, which are measured and classified as financial assets at amortized cost, are assumed to have low credit risk because the related parties have sufficient cash and other liquid assets to repay the loan immediately. Thus, the impairment loss is limited to 12-month ECL.

**Liquidity Risk**
Liquidity risk arises from the Group's inability to raise sufficient funds at the least possible cost to meet its financial commitments. The Group's objectives in liquidity management are: (a) to ensure that adequate funds are available to meet expiring obligations; (b) to meet the commitments as they arise without incurring unnecessary costs; and (c) to be able to access additional funding when needed at the least possible cost.

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at March 31, 2024 and December 31, 2023:

| | **March 31, 2024** | | | | | |
|---|---|---|---|---|---|---|
| | **Due and Demandable** | **Less than 1 year** | **1–2 years** | **2–3 years** | **Over 3 years** | **Total** |
| Trade and other payables* | **₱**– | **₱671,399,415** | – | – | – | **₱671,399,415** |
| Loans payable** | – | **97,978,460** | **199,757,908** | **836,908,872** | **890,954,779** | **2,025,600,019** |
| Retention payable - net of current portion | – | **28,802,725** | – | – | – | **28,802,725** |
| Due to related parties | **731,352,959** | – | – | – | – | **778,434,703** |
| | **₱731,352,959** | **₱798,180,600** | **₱199,757,908** | **₱836,908,872** | **₱890,954,779** | **₱3,504,236,862** |

**Excluding statutory payables amounting to ₱509,192 as at March 31, 2024.*
*** Includes payment of interest.*

| | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Due and Demandable | Less than 1 year | 1–2 years | 2–3 years | Over 3 years | Total |
| Trade and other payables* | ₱– | ₱615,091,790 | – | – | – | ₱615,091,790 |
| Loans payable** | – | 386,012,085 | 199,757,908 | 836,908,872 | 1,215,971,188 | 2,638,650,053 |
| Retention payable - net of current portion | – | 89,826,865 | (9,360,155) | – | – | 80,466,710 |
| Due to related parties | 778,434,703 | – | – | – | – | 778,434,703 |
| | ₱778,434,703 | ₱1,090,930,740 | ₱190,397,753 | ₱836,908,872 | ₱1,215,971,188 | ₱4,112,643,256 |

**Excluding statutory payables amounting to ₱710,698 as at December 31, 2023.*
*** Includes payment of interest.*

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

**Interest Rate Risk**
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's market risk policy requires it to manage interest rate risk by maintaining appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and liabilities. Any gap between the maturities of fixed and variable rate instruments is effectively managed by the Group.

**Capital Management**
The primary objective of the Group's capital management is to ensure that it maintains strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Group regularly monitors its capital position and assesses business conditions to ensure early detection and determination of risks and its consequent adverse impact. The Group adopts measures, as deemed necessary and appropriate, to mitigate risks.

In determining reasonable leverage, the Group evaluates its cost of capital and manages its level of debt to maintain an optional cost of capital based in current conditions. The Group considers its equity as capital amounting to ₱2,187,707,485 and ₱2,117,562,655 as at March 31, 2024 and December 31, 2023, respectively.

The Group is required to maintain debt-to-equity ratios in accordance with its loan agreements (see Note 14).

## 24. Fair Value Measurement

The carrying amounts and estimated fair values of the Group's financial assets and financial liabilities are presented below:

| | **March 31, 2024** | | December 31, 2023 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| **Financial Assets** | | | | |
| Cash | **₱118,220,294** | **₱118,220,294** | ₱44,888,443 | ₱44,888,443 |
| Funds held in escrow | **526,537,923** | **526,537,923** | 526,537,923 | 526,537,923 |
| Trade receivables | **130,804,565** | **130,804,565** | 76,491,779 | 76,491,779 |
| Contract assets | **25,910,181** | **25,910,181** | 64,746,552 | 64,746,552 |
| Due from related parties | **93,403,615** | **93,403,615** | 132,849,778 | 132,849,778 |
| Refundable deposit | **494,040** | **494,040** | 494,040 | 494,040 |
| Receivables from contractors | **65,941,707** | **65,941,707** | 65,941,707 | 65,941,707 |
| Restricted cash | **1,889,412** | **1,889,412** | 8,941,245 | 8,941,245 |
| | **₱963,201,737** | **₱963,201,737** | ₱920,891,467 | ₱920,891,467 |
| **Financial Liabilities** | | | | |
| Trade and other payables* | **₱671,399,415** | **₱671,399,415** | ₱615,091,790 | ₱615,091,790 |
| Loans payable | **2,025,600,019** | **2,025,600,019** | 1,783,605,790 | 2,049,141,297 |
| Due to related parties | **731,352,959** | **731,352,959** | 778,434,703 | 778,434,703 |
| Retention payable - net of current portion | **28,802,725** | **28,802,725** | 80,466,710 | 80,466,710 |
| | **₱3,457,155,118** | **₱3,457,155,118** | ₱3,257,598,993 | ₱3,523,134,500 |

**Excludes statutory payables amounting to ₱509, 192 and ₱710,698 as at March 31, 2024 and December 31, 2023 respectively.*

Management has determined that the carrying amounts of cash, trade receivables, contract assets, due from related parties, refundable deposit, receivables from contractors, trade and other payables (excluding statutory payables), due to related parties, and current portion of retention payable approximate their fair values because of their short-term maturities.

The fair value of the loans payable is classified under level 2 (significant observable inputs) of the fair value hierarchy. The fair value is the present value of all future cash flows discounted using applicable rates for similar types of loans.

## 25. Basic/Diluted Earnings per Share

The following table presents information necessary to calculate income per share:

| | **March 31** | |
|---|---|---|
| | **2024** | 2023 |
| Net income from continuing operations | **₱70,144,830** | ₱52,830,489 |
| Weighted average number of common shares | **650,000,002** | 425,000,000 |
| Basic/diluted earnings per share from continuing operations | **₱0.11** | ₱0.12 |
| Basic/diluted earnings per share | **₱0.11** | ₱0.12 |

Earnings per share is calculated using the net income divided by the weighted average number of common shares. The Group has assessed that there were no dilutive common shares as at March 31, 2024 and December 31, 2023.

## 26. Segment Reporting

For management reporting purposes, the Group is organized based on its activities and has one operating segment which is the renewable energy generation segment. This segment undertakes the generation of electricity through hydroelectric power plants which are within the Group's country of domicile.

# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## FINANCIAL SOUNDNESS INDICATORS

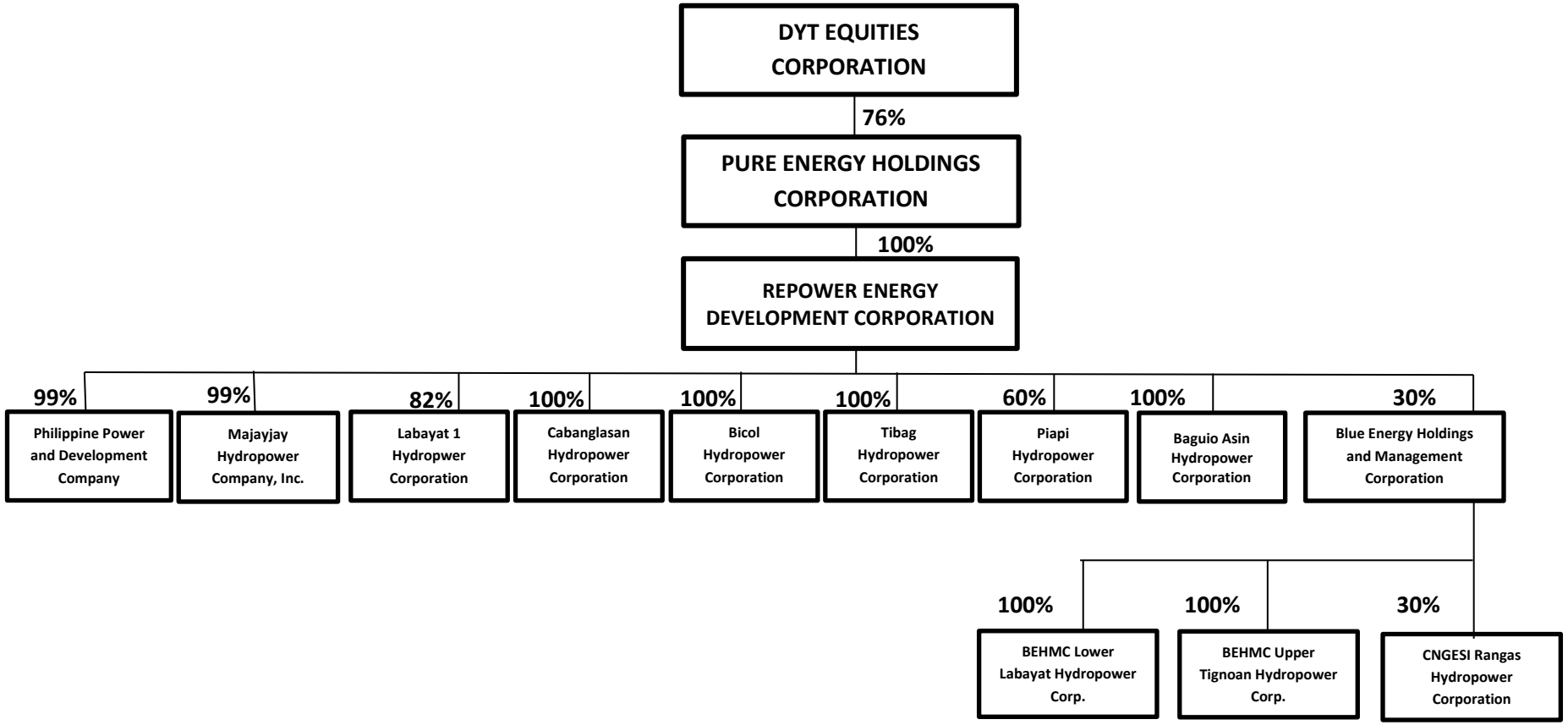
Below is a schedule showing financial soundness indicators of the Group as at and for the periods ended March 31, 2024 and December 31, 2023.

| Ratio | Formula | **March 31, 2024** | December 31, 2023 |
|---|---|---|---|
| Current ratio | Current assets/current liabilities | **0.72:1** | 0.65:1 |
| Acid test ratio | Quick assets/current liabilities | **0.20:1** | 0.12:1 |
| Solvency ratios | Net income before amortization and depreciation/total liabilities | **0.03:1** | 0.08:1 |
| Debt-to-equity ratio | Total liabilities/total equity | **1.60:1** | 1.56:1 |
| Asset-to-equity ratio | Total assets/total equity | **2.60:1** | 2.56:1 |
| Interest rate coverage ratio | Net income before tax expense/interest expense | **2.43:1** | 2.41:1 |
| Return on equity | Net income/shareholder's equity | **0.03:1** | 0.08:1 |
| Return on assets | Net income/total assets | **0.01:1** | 0.03:1 |
| Net profit margin | Net income/revenue | **0.41:1** | 0.38:1 |

# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## CONGLOMERATE MAP

### MARCH 31, 2024



# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II of the REVISED SRC RULE 68

**MARCH 31, 2024**

**Table of Contents**


| *Schedule* | *Description* | *Page* |
|---|---|---|
| A | Financial Assets | N/A |
| B | Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties) | N/A |
| C | Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements | 1 |
| D | Long-Term Debt | 2 |
| E | Indebtedness to Related Parties (Long-Term loans from Related Parties) | N/A |
| F | Guarantees of Securities of Other Issuers | N/A |
| G | Capital Stock | 3 |

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS

**MARCH 31, 2024**

| | | | *Deductions* | | *Ending Balance* | | |
|---|---|---|---|---|---|---|---|
| ***Name and designation of debtor*** | ***Balance at beginnning of period*** | ***Additions*** | ***Amounts collected*** | ***Amounts written off*** | ***Current*** | ***Noncurrent*** | ***Balance at end of period*** |
| Subsidiaries | ₱418,497,144 | ₱– | ₱– | ₱– | ₱370,898,375 | ₱– | ₱370,898,375 |

# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## SCHEDULE D – LONG TERM DEBT

### MARCH 31, 2024

| *Title of Issue and Type of Obligation* | *Amount Authorized by Indenture* | *Amount shown under caption "Current portion of Loans payable" in related balance sheet* | *Amount shown under caption "Loans payable - net of current portion " in related balance sheet* |
|---|---|---|---|
| Local creditor banks | ₱2,025,600,019 | ₱97,978,460 | ₱1,927,621,559 |

# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## SCHEDULE G – CAPITAL STOCK

### MARCH 31, 2024

| | | | | Number of shares held by | | |
|---|---|---|---|---|---|---|
| ***Title of Issue*** | ***Number of shares authorized*** | ***Number of shares issued and outstanding as shown under the related statement of financial position caption*** | ***Number of shares reserved for options,warrants, conversion and other rights*** | ***Related parties*** | ***Directors, officers and employees*** | ***Others*** |
| Common stock - ₱1 par value | 750,000,000 | 650,000,002 | – | 439,999,995 | 5 | 210,000,002 |

# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS OF PARENT COMPANY AVAILABLE FOR DIVIDEND DECLARATION

## MARCH 31, 2024

| | |
|---|---|
| Retained earnings, as shown in the separate financial statements at beginning of period | (₱205,035,938) |
| Adjustment for - | |
| Accumulated share in net loss of an associate | 14,826,061 |
| Retained earnings, as adjusted to amount available for dividend declaration, at beginning of year | (190,209,877) |
| Net loss during the year closed to retained earnings | (16,238,534) |
| Less non-actual/unrealized income net of tax - | |
| Share in net loss of an associate | – |
| Net income actually earned during the period | – |
| Retained earnings available for dividend declaration, at end of period | (₱206,448,411) |

# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## SUPPLEMENTARY SCHEDULE OF APPLICATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING

## MARCH 31, 2024

| | Actual | | | | |
|---|---|---|---|---|---|
| | Balance as at December 31, 2023 | Receipts during the First Quarter of 2024 | Balance as at March 31, 2024 | Planned | Unapplied |
| Use of Proceeds: | | | | | |
| Partially fund the equity portion of: | | | | | |
| Pulanai (Pulangi) MHP Project | (₱314,880,000) | ₱– | (₱314,880,000) | (₱600,000,000) | ₱285,120,000 |
| Piapi MHP Project | (53,000,000) | – | (53,000,000) | (100,000,000) | 47,000,000 |
| Fund the development and/or acquisition of renewable energy products | (5,220,000) | – | (5,220,000) | (150,000,000) | 144,780,000 |
| Fund operating and working capital requirements | (50,000,000) | – | (50,000,000) | (99,500,000) | 49,500,000 |
| Interest income | 137,923 | 144,310 | 282,233 | – | 282,233 |
| | (422,962,077) | 144,310 | (422,817,767) | (949,500,000) | 526,682,233 |
| Unapplied Proceeds | ₱529,200,756 | ₱144,310 | ₱529,345,066 | ₱– | ₱529,345,066 |

| | Actual | | | | |
|---|---|---|---|---|---|
| | Balance as at December 31, 2023 | Receipts during the First Quarter of 2024 | Balance as at March 31, 2024 | Planned | Unapplied |
| Gross proceeds | ₱1,000,000,000 | ₱– | ₱1,000,000,000 | ₱1,000,000,000 | ₱– |
| IPO expenses | (47,837,167) | – | (47,837,167) | (50,500,000) | 2,662,833 |
| Net proceeds | 952,162,833 | – | 952,162,833 | 949,500,000 | 2,662,833 |

## Section 2.

# REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

AS AT MARCH 31, 2024 AND DECEMBER 31, 2023 AND
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023

1. **Financial Condition**

**As at March 31, 2024 Compared to as at December 31, 2023**

The total assets of Repower Energy Development Corporation and Subsidiaries (the Group) expanded by ₱264.5 million (+5%) from December 31, 2023 due mainly to the increase of advances to contractors and suppliers.

Material changes in asset accounts are analyzed as follows:

a. The net increase in cash of ₱73.3 million (+163%) is due to:
   i. Net increase in operational cash flows as a result of net income generated from the operating segments and continuing operations;
   ii. Collections of due from related parties amounting to ₱39.4 million.
   iii. Additions to advances to contractors and suppliers aggregating ₱161.3 million.

b. The net decrease in due from related parties of ₱39.4 million (-30%) is due to collection of working capital funds advanced to entities under common control to sustain operations. These advances are due and demandable and unimpaired.

c. Other current assets increased by ₱27.6 million (+20%) mainly due to increases in advances made to contractors and suppliers consistent with the Group's plan to expand its hydropower operations. The net decrease in other noncurrent assets of ₱2.9 million (-17%) is a result of reclassification of noncurrent portion of restricted cash.

d. Net decrease in property, plant and equipment by ₱2.2 million (-0.05%) represent the depreciation recorded for the period. There are also additions of ₱24.6 million hydropower plants for the period.

The total liabilities of the Group increased by ₱194.4 million (+6%) due primarily to availments of loans and advances from related parties. Material changes in liability accounts are analyzed as follows:

a. Net increase in trade and other payables amounting to ₱51.1 million (+8%) resulted from recording of progress billings from various contractors and suppliers.

b. Net increase in loans payable by ₱242.0 million resulted from availments for various purposes but mainly as part of the Group's operational expansion.

c. Noncurrent portion of retention payable also decreased by ₱51.7 million (-64%) due to settlement of contractor billings related to ongoing construction projects.

The Group's total equity increased by ₱70.1 million (+3%) due to the reported net income for the period.

Relevant financial ratios related to the Group's financial position are liquidity ratio, solvency ratio, debt-to-equity ratio and asset-to-equity ratio.

The Group's liquidity ratios (current and acid test ratios) improved from 0.65:1 and 0.12:1 as at December 31, 2023 to 0.72:1 and 0.20:1 as at December 31, 2023 due mainly to availability of liquid funds.

The solvency ratio decreased from 0.08:1 to 0.03:1 as at March 31, 2024 and December 31, 2023 since the movement of the Group's net income before depreciation and amortization decreased as well.

The debt-to-equity ratio of 1.60:1 as at March 31, 2024 compared to the 1.56:1 as at December 31, 2023 shows the impact of the increases of the liability balances of the Group.

The asset-to-equity ratio of the Group increased from 2.56:1 as at December 31, 2023 to 2.60:1 as at March 31, 2024.

## 2. Results of Operations

**For the Three-month Period Ended March 31, 2024 Compared to for the Three-month Period Ended March 31, 2023**

The Group generated a total of ₱170.5 million revenues from its operations for the three-month period ended March 31, 2024 which is ₱49.6 million (+41%) higher than the revenue generated for the same period in the prior year. Consequently, gross income increased by ₱35.4 million (+39%). The total comprehensive income of the Group for the three-month period ended March 31, 2024 registered at ₱70.1 million which is ₱17.3 million (+33%) higher than that of the previous year for the same period.

Key factors to the changes of the items above are as follows:

a. Revenue increased mainly as a result of higher electric generation of the Group. The increase in is also brought about by the increased capacity from the L1HC and BHC operations. As a result of increased revenue, the cost also increased during the period.

b. Operating expenses increased by ₱5.8 million (+27%). During the period, the Group increased its spending representation and entertainment, taxes and licenses and salaries and wages.

c. Interest expense increased by ₱12.4 million (+80%) as a result of incurring more costs of borrowing related to the ongoing construction projects. The Group entered into various loan contracts with local creditor banks to finance the construction and rehabilitation of various projects, with interest rates ranging from 5.5% to 11% per annum, and with terms ranging from 3 to 15 years.

The resulting basic and diluted earnings per share of the Group decreased from 0.12 per share to 0.11 per share. This is due to the issuance of capital stock in 2023.

Relevant profitability ratios related to the Group's financial performance are return on equity, return on total assets and net income margin.

The return on equity of the Group decreased from 0.08:1 and 0.03:1. Consequently, the return on assets decreased from 0.03:1 to 0.01:1 across the periods.

Net income margin increased to 0.38:1 from 0.41:1 across the periods due to the improvement in the results of operations.

## 3. OTHER DISCLOSURES

There were no material events subsequent to the end of the interim period that have not been reflected in the unaudited interim financial statements.

There were material changes in the composition of the Group during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

The Group has no contingent liabilities or contingent assets as at March 31, 2024.

There are no material contingencies and any other events or transactions that are material to the understanding of the current interim period.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

There are no material commitments for capital expenditures which are out of the scope of the use of proceeds from the IPO.

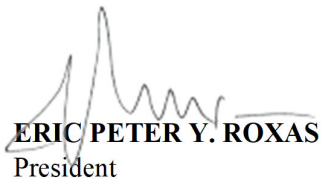
There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net revenues or income from continuing operations.

All significant elements of income or loss were generated from the Group's registered and continuing business operations.

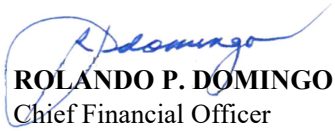
Aside from the resulting effects of the IPO of the Group, there are no other nonrecurring or seasonal aspects that had a material effect on the financial condition or results of operations.

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **REPOWER ENERGY DEVELOPMENT CORPORATION**
By:



**ERIC PETER Y. ROXAS**
President
May 10, 2024



**ROLANDO P. DOMINGO**
Chief Financial Officer
May 10, 2024